

Era of currency control now ended

THE JERUSALEM POST

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Page 3

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Finance Minister Simha Ehrlich drops the government's new economic bombshell at Friday afternoon's press conference. He is flanked by Minister of Industry, Commerce and Tourism Yigal Hurvitz (left) and by Deputy Finance Minister Yehoshua Rabinowitz (right). On the far right is Treasury Director-General Amram Sivan.

Now lawful to
hold foreign
currency

IL expected
to settle at
15 to the \$

10% overall
price rise
anticipated

Vat set at 12%
but purchase
tax off

Ehrlich's bombshell is a 'risk' but 'it's necessary surgery'

By MEIR MERHAV, Jerusalem Post Economic Editor, and SHELOMO MAOZ, Jerusalem Post Economic Reporter

Some 38 years of currency control and fixed exchange rates came to an end Friday afternoon, with the Government's decision to make the Israeli pound freely convertible and to abolish all controls on current foreign currency transactions.

The decision means that the Israeli pound will be allowed to fall to about IL15 per U.S. dollar — a

devaluation of about 44 per cent.

At the same time the 15 per cent defence duty on imports as well as export incentives have been eliminated. The entire policy package, of which many details have not yet been worked out, includes the following:

- From tomorrow, when the banks will re-open, the exchange rate of the Israeli pound will no longer be fixed administratively, as it has been since the outbreak of World War II, when the British Mandatory Government introduced currency control. The value of the IL will be determined by supply and demand, and the Bank of Israel will apparently list it to fall to about IL15 per U.S. dollar.
- Export incentives, until now 30 per cent of the official exchange rate in the top category of domestic value added, will be abolished. So will the 15 per cent defence duty on imports.
- Customs duties will be slashed 20 per cent, if they are *ad valorem* — a duty of 50 per cent will now be 40 per cent, but specific duties will be raised 25 per cent, so that a duty of IL200 per unit will become IL250.
- Israeli citizens will be allowed to hold unlimited amounts of foreign currency accounts in Israeli banks, including foreign securities. They will be permitted to keep up to \$3,000 in cash and another \$3,000 per person in foreign bank accounts. They will also be allowed to take abroad Israeli currency to the equivalent of \$3,000 per person.
- Israeli businesses will be free to keep accounts abroad and carry out current transactions without limitation.
- Foreigners will be completely free of any restrictions with regard to their transactions in foreign currency.
- The Value Added Tax has been raised from 8 per cent to 12 per cent as from November 1.
- Simultaneously, purchase taxes have been reduced and, on many products, abolished.
- There will be an impost, equivalent to the expected effective devaluation, on stocks of commodities and products. Tax inspectors will take inventories.
- The foreign travel tax has been abolished, but travel tickets will be subject to value added tax at the new rate of 12 per cent.
- The Bank of Israel has imposed stringent liquidity requirements on the commercial banks and, with the exception of credit for exports, the total volume of credits will be practically frozen for three months.
- The prices of subsidized products and services will immediately go up 15 per cent on the average. The cost of electric power will go up 25 per cent, as will that of water. Telephone and postal services will also cost more, the highest increase being for communication with other countries.
- Recipients of welfare payments will get an immediate increase of 12 per cent, to compensate for the expected price increases. Child allowances will also be raised by the same percentage. The immediate compensation will be absorbed in the April cost-of-living allowance, after price increases have become reflected in the consumer price index.
- Government departments will be required to absorb domestic cost increases, resulting from the devaluation, in their current budget. According to Treasury and Bank of Israel estimates, this may mean a 10 per cent real cut in their domestic expenditure up to the end of the year. The presentation of the budget for fiscal 1978 will be delayed to await the stabilization of the Israeli pound and the repercussions of its new exchange rate on the size of the budget.
- The increase in the price of fuel announced Wednesday night — now disclosed to have been a preliminary to the sweeping reform of Friday — will remain unchanged.

The far-reaching economic reforms were announced at a dramatic press conference on Friday afternoon by Finance Minister

(Continued on page 2, col. 1)

Our Economic Editor explains: Calculated risk or reckless gamble?

By MEIR MERHAV

Finance Minister Simha Ehrlich's sweeping reform goes far beyond the immediately visible steps of doing away with currency control, making the Israeli pound freely convertible at a floating exchange rate and the accompanying tight monetary policy. It is not far short of a revolution of the entire economic system as we have known it since 1948.

More than in most countries, the price system in Israel has been determined by the exchange rate of foreign currency. This has been because of the high import component of the nation's national product.

Until now, Israel has had a complex system of multiple effective exchange rates. As long as there are customs duties, effective exchange rates will remain multiple in Israel as they are everywhere else. But the abolition of the export incentives and the 15 per cent defence impost on imports, together with the floating of the pound, have gone a long way towards unifying the exchange rate.

One of the inevitable results of a price system geared to such a structure of administratively determined multiple exchange rates is that it misallocates resources.

In simple terms this means that enterprises which in reality are inefficient are artificially kept viable and others, which could expand and bring in foreign currency, are forced to an unrealistic exchange rate.

Thus, for example, there are many exporters who get export incentives — and thereby a higher rate for their foreign currency — on the basis of an artificially fixed content of domestic value added.

At the same time other industries get — again by administrative decision — less for their dollars. Examples are tourist services and, for many years, exporters of engineering services and other kinds of consultation work. Simultaneously, less than the real value in terms of pounds was paid for imports. By the same token, industries capable of producing import substitutes were handicapped by expanding.

The introduction of a floating exchange rate will do away with most of these effects.

The abolition of currency control is not a necessary component of a policy designed to give the pound its real competitive value. It represents, however, the ideological commitment of the government to the elimination, wherever possible, of government intervention.

But in addition, the government hopes that the abolition of currency control will stimulate foreign investment, in real assets and in financial assets alike, and will be a major incentive for the repatriation of foreign balances now illegally held abroad.

The critics of the lifting of currency control — first and foremost among them former Finance Minister Yehoshua Rabinowitz — argue that Israel's position, both political and economic, is too precarious to permit such a gamble.

There is the danger, they argue, that Israel's foreign currency reserves may become depleted to the danger point precisely when they are most needed, and that the freedom to hold foreign currency in Israeli banks will be no safeguard against much increased transfer of funds abroad.

To this the proponents of liberalism answer that the controls have also not prevented anyone who really wanted to smuggle currency abroad from doing so.

There is no doubt that the new risk is great — but only time will show who is right.

The new non-intervention by the government and the Bank of Israel is, however, apparently not quite what it seems to be. The biggest recipient of foreign currency is the government itself. It will therefore not simply let the Israeli Pound find its own level in the market, but will in reality refrain from intervention, through the Bank of Israel, when it "likes" the exchange rate which happens to be established by market forces.

That this is so was already revealed by Ehrlich's prediction that the pound on Monday would settle at around IL15 per dollar.

Bank of Israel Governor Arnon Gafny went even a little further in his press conference last night and said that whenever the pound would fall, the central bank would not intervene as long as the fall was not caused by fortuitous factors or by intentional speculation.

Although Ehrlich expressed his hope that the new economic regime would make Israel into an important financial centre, it is unlikely that the hoped-for foreign deposits in our banks will be held in pounds. Nor is it likely that our foreign trade will be carried out in pounds. Apart from sudden sharp fluctuations, it is therefore not to be expected that the

(Continued on page 4, col. 1)

Travel and lots of other things will cost more

Jerusalem Post Reporter

Foreign travel will become more expensive. Although the travel tax has been abolished, there will now be a 12 per cent value added tax on the ticket, in addition to the higher cost, in Israeli pounds, of the ticket itself.

As a result, the longer the distance travelled the greater will be the increase in the cost.

Until now, the fixed travel tax of IL1,000 per ticket, irrespective of distance, made short trips relatively more expensive, than longer journeys. The reform will make a one-way ticket to New York some 20 per cent dearer, but a one-way trip to Rome will go up only 7 per cent.

Electric power will cost 11 agora more per kilowatt/hour — a 25 per cent rise. The cost of water, which is largely determined by the cost of the electric power used to pump it, will go up 15 per cent.

Basic foodstuffs and public transport will become 15 per cent more expensive. Domestic air flights and railway fares will be revised to reflect the devaluation. Price-

controlled products will be allowed to go up by 7 per cent without special permit from the Ministry of Industry, Commerce and Tourism.

This new price of a loaf of standard bread will be IL1.80 instead of IL1.55, soybean oil will cost IL2.25 (IL2.00) per 20 cc. bottle, margarine will be IL2.20 (IL1.80) per package, an average-sized egg will cost IL0.80 (0.70), milk will be IL3.40 per litre (IL2.95), frozen chicken will be priced at IL18.40 (IL16.00) per kilo. But not only the subsidized products have gone up — those which, like frozen meat, sugar or flour, are unsubsidized or even taxed have also been raised.

The Government also decided to impose a special impost on all stocks of imported products in order to mop up inflationary profits. This includes all imports not yet released from the customs. Experience shows, however, that the Government has not been able to do this effectively and has been forced to accept importers' declarations on their inventories.

Dutch seek proof Baader gang abducted millionaire

AMSTERDAM (UPI). — Police staged a massive manhunt for kidnapped millionaire Maurice Caransa yesterday, seeking proof that the fanatic Baader-Meinhof terrorist gang was responsible for the abduction.

Armed units threw up roadblocks around the country, searched houseboats and holiday homes and sifted through telephone calls to newspapers claiming to know the whereabouts of the 61-year-old real-estate tycoon.

One caller said Caransa was being held in exchange for the freedom of Baader-Meinhof terrorist Kurt Folkerts, held on charges that he murdered a policeman.

An editor at the newspaper "De Telegraaf" said the caller demanded

that Folkerts be released at midnight outside the Continental Club where several men abducted Caransa early Friday.

The call to "De Telegraaf" did not mention any threat to Caransa's life, the editor said, nor was there any demand for money. But other callers have demanded sums ranging from \$2,500 to \$4m, the editor said. One person demanded the abdication of Queen Juliana.

One of the first calls after the kidnapping claimed Caransa was in the hands of the Red Army Faction, otherwise known as the Baader-Meinhof gang.

Pieter Bakker Schui, Folkerts' lawyer, said he doubted a connection between his client and the Caransa kidnapping.

Are black dollars now legal?

Jerusalem Post Reporter

The Bank of Israel will neither be obliged to buy foreign currency offered to it nor will it be required to sell it on demand. Nor will Israeli citizens have to hold foreign currency to the government — they will be allowed to keep it in Israeli banks, without limitation of amount, and will be permitted to buy and sell foreign securities and assets. Businesses will be free to convert their foreign currency receipts or not to convert them, as they see fit.

Any Israeli may take up to \$3,000 out of the country and keep another

\$3,000, at any given time, in a foreign bank. No decision has yet been made with regard to past contraventions of the foreign currency regulations, but apparently there will be no prosecutions on that account.

Nor is it clear what will happen to Israelis who will repatriate money so far illicitly held abroad.

With the abolition of foreign currency control, however, the only remaining check on such transfers may be the periodic statement of assets required by the income tax authorities — but that, too, is likely to be of little importance, according to experienced observers.

Treasury reports every bank to set own rate

Jerusalem Post Staff

Starting tomorrow morning, every bank will set its own exchange rate for the dollar, and there will be no control on the spread between buying and selling rates, the Treasury's foreign currency controller, Dov Kantarovitz, said last night.

In a circular to all commercial banks, he suggests they post large signs in all branches, giving their exchange rates for various currencies. He predicted that in a very short time there would be a "standard" price for the dollar in all Israeli banks — "a sort of monopoly" that only the Bank of Israel would be able to break.

Merav, an official in the Bank of Israel's foreign currency division, said the central bank would place its worldwide data on foreign currency rates at the disposal of commercial banks, to assist them in setting their own exchange rates.

Every day at 4 p.m. the Bank of Israel will publish representative exchange rates as offered by the various banks.

Ernst I. Japbet, chairman of the board of directors of Bank Leumi, told The Jerusalem Post that plans are being made to have one branch correlate transactions for a number of branches in a given geographical area. The branch will centralise these transactions and transfer them to the main branch which serves as the main centre for all foreign currency dealings.

The first indication as to what the public can expect in terms of a new rate of exchange was visible at the Bank Leumi branch at Ben-Gurion

Airport. Late evening travellers were advised last night that the buy and sell rates were IL15.18-IL15.33 for \$1. For the time being, the limitation for foreigners leaving Israel was still a maximum of \$30 which they could repurchase from local currency. Israelis, on the other hand, could purchase up to \$700 at the IL15.33 rate.

Japbet, confirming the rate of IL15.18-IL15.33, said it was set in consultation with a number of bodies. But he claimed they are not indicative of what the rate may be tomorrow, and was being used primarily as a temporary convenience for the tourist.

Daniel Recanat, managing director of the Israel Discount Bank, expressed the opinion that the rate of IL15.33 used by his bank's branch at Ben-Gurion will probably approximate the rate which will be in force when the banking system reopens tomorrow.

All special-class foreign currency bank accounts — such as Nafat and others — except German repatriation accounts, are formally abolished as of tomorrow morning and become Toshav (resident) accounts.

All Israeli may therefore from now on hold as much foreign currency in their Toshav accounts as they wish.

Dov Kantarovitz, foreign currency controller at the Treasury, said no

(Continued on page 6, col. 1)

va ball ins in court

Middle East Editor

sources in Jerusalem last night that there has been no change in the discussion of warrant claims by Israel. "The ball is in the Arab court," one source said.

ree was commenting on a press conference on Friday afternoon between Prime Minister Begin and U.S. Senator Sam Brownback. The two reportedly have reviewed regional topics, including UN General Assembly resolutions condemning the establishment of settlements in the occupied territories.

ree said that deliberations were under way for a Geneva peace conference. A main topic discussed was the American plan to work out a draft that would settle the Arab-Israeli conflict.

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Meshel: Unions will strike

By JOSHUA BRILLIANT

Post Political Reporter

TEL AVIV — The Histadrut will seek to organize strikes and demonstrations throughout the country against the government's new economic policy, Secretary-General Yehoram Meshel announced last night.

In some places there will be a full day strike, in some more and in others less, he said.

The labour federation will not repeat its abortive attempt at a country-wide strike. Emerging from a three-hour emergency meeting of the Central Committee (the Histadrut's cabinet), Meshel insisted the strikes and demonstrations must be "organized with the workers... to give them a feeling that they are doing this, and not carrying out orders from above."

(A Histadrut call for a one-hour strike in protest against a subsidy cut earlier this year was a resounding failure as many workers claim-

ed the call was an Alignment move against the Likud.)

The Central Committee last night demanded an increase in the cost-of-living allowance to be paid with January salaries, to compensate for the expected price rises.

Meshel complained that the government's measures put the entire economic burden on employees, especially those with low incomes. The 12 per cent compensation for the poor is nothing but "deceit" because it covers only payments for children and old-age pensions. It will not compensate for the family's overall expenditure, he said.

The Alignment Knesset faction held an urgent meeting last night, attended by former Bank of Israel governor Moshe Saragut, and resolved to firmly oppose the government's new economic policy.

The faction noted that the measures following the economic doctrines of Prof. Milton Friedman — would

(Continued on page 2, col. 1)

Gafny: Reform will fail unless budget is slashed

Jerusalem Post Reporter

The new economic policy will fail unless the Government slashes the budget and stops pumping new money into the economy, Arnon Gafny, Governor of the Bank of Israel, said last night.

He told a press conference in Jerusalem that the brakes must be applied "on the Israeli pound will decline very fast." He also said that he is opposed to wage increments that would increase the worker's take home pay.

Gafny said Israel must pay a price — inflation — for the success of the new economic programme.

Deputy Governor Zvi Sussman said that while holders of foreign currency and bonds would gain immediately from the new economic moves, in the long run, all Israelis would benefit, since economic

growth would resume and new job and business opportunities would be made available.

Gafny added that companies unable to endure real competition will be forced out of the market and be replaced by more stable firms.

He declined to confirm or deny reports that the Bank of Israel has arranged with overseas financial institutions to help out in cases Israel's foreign currency reserves fall drastically as a result of a shift of foreign exchange out of the country.

But Gafny denied a report that the International Monetary Fund has promised Israel money in case this should happen. But he felt certain the IMF would come to Israel's aid "with hundreds of millions of dollars" if needed, as the organization usually assists countries trying to improve their economies in accordance with IMF recommendations.

Jerusalem calls UN vote 'unworthy of any comment'

Post Diplomatic Correspondent

Official Jerusalem has dismissed Friday's UN General Assembly resolution condemning the establishment of Israeli settlements in the administered territories as a "non-event" which did not warrant comment.

Authoritative sources said that the

vote was not unexpected, and added that the American abstention came as no surprise. The U.S. decision was understood to have been conveyed in advance to Prime Minister Menachem Begin by Ambassador Samuel Lewis.

Begin had said earlier Friday that Israel would not consider itself bound by any UN resolution denouncing settlements in the areas.

"The attitude of the Israel Government towards the settlement issue has been made clear to everybody and nothing has changed," he said shortly after his meeting with Lewis.

Wolf Elitzer adds from Washington:

Israeli officials here were pleased that the U.S. has abstained. They said that they would have naturally preferred to see Washington join Jerusalem in voting against the resolution. But they acknowledged that this was unrealistic, given the State Department's long-standing opposition to Israeli settlements.

Intensive diplomatic exchanges between the Israeli Embassy and the State Department last week were seen as crucial in convincing the administration not to join the anti-Israel majority in the world body.

(See story on Page 2)

Tito tired, cancels planned Sadat visit

BELGRADE (AP). — Yugoslav President Tito is suffering from fatigue and has been told to curtail all activity for the next several weeks, Yugoslav's official news agency reported on Friday. As part of this he has indefinitely postponed a visit by Egyptian President Anwar Sadat that was to have begun tomorrow. (Mime. Bros. P. 4)

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EHRLICH

(Continued from page one)

Shimon Ehrlich. He was flanked by Minister of Finance, Yigal Hurvitz, and Finance Minister Yehoshua Pines. The top officials of the ministry were present.

Except for speculative share capital transactions, all restrictions on foreign currency transactions have been abolished. The value of the sheqel, now freely convertible, will be determined by supply and demand, no longer as a result of a near-term administrative decision. In effect, it will mean a devaluation of 50 percent. Exporters, for example, will find their effective exchange rate lower by 50 percent, and the domestic added value of products. Importers will find effective devaluation of some 50 percent, and owners of foreign accounts will find themselves in terms of Israeli pounds, by a percent.

According to Treasury and Finance Minister Pines, the price level will rise by 10 percent, approximately, until the end of the year, and price inflation in 1978 will reach 30-40 percent — as in 1977.

Ehrlich said this inflation is a necessary part of the new era of economic growth, a gross national product, expected to rise by 5 percent in 1978. It is a necessary move to give the Israeli economy a new lease on life. At the press conference, Ehrlich said that Israel had been a "financially weak" country, and that the new government would be able to "renew" the economy. He said that the new government would be able to "renew" the economy, and that the new government would be able to "renew" the economy.

Ehrlich said he is aware that the government has taken a "big step" which may require a period of adjustment. But, he said, the government had weighed the chances against the risks and to the conclusion that the "survival of the fittest" is the only way to the rehabilitation of the economy. The Finance Minister said that he had been careful, so describe the steps taken by the Treasury as no more than "economic measures" and had been aware of the "levelled" against him for not presenting an economic policy reform, he said, had been careful consideration at first days of the new government and represented its economic policy. Mr. Ehrlich disclosed — first time, from an authoritative source — that Israel's economic policy would be to "renew" the economy, and that the new government would be able to "renew" the economy.

The Finance Minister said domestic price increases will be absorbed in the current by the various Government departments. As for the budget, which was to be presented to the Cabinet today, the reform will make it necessary to "renew" the economy, and that the new government would be able to "renew" the economy.

PHILHARMONIC

CONCERT NO. 2

Subscription Concert No. 2
MENDI RODAN, conductor
LEONARD EDEL, cellist
Binyamin Ha'oma, 8.30 p.m.
Tonight 30.10.77
Programme:
Rachmaninov, Elgar, Dvorak

TEL AVIV
Mann Auditorium, 8.30 p.m.
Series 6: Monday
Series 7: Saturday
Series 8: Sunday
HAIFA
Haifa Auditorium, 8.30 p.m.
Series 1: Tuesday
Series 2: Wednesday
Series 3: Thursday

Programme:
Kopelman, Bloch, Sibelius

Subscription Concert No. 3
IGOR MARKOVICH, conductor
MIRBA BAYZAN, tenor
TEL AVIV
Mann Auditorium, 8.30 p.m.
Series 1: Thursday
Series 2: Saturday
Series 3: Sunday
Series 4: Monday
Series 5: Tuesday

JERUSALEM
Binyamin Ha'oma, 8.30 p.m.
Wednesday, 26.11.77
Programme:
Ravel, Paganini
Kodaly, Paulus Hungar
Rimski-Korsakov, Scherzer

Bonanza-hunters converge on Old City money-changers

Jerusalem Post Staff

Hundreds of Israelis intent on buying dollars before the banks open tomorrow converged on the money changers in the Old City of Jerusalem over the weekend, and by yesterday afternoon there was not a dollar to be had. The onslaught started on Friday afternoon, as soon as news of the Cabinet's extraordinary session began to circulate. "It was about 2.30 p.m. when we first felt that something out of the ordinary was happening," one changer said. "We knew nothing about the Cabinet meeting, and with the first influx we thought that people — mostly from Tel Aviv — were merely hedging against another mini-devaluation. But boy, were we fixed this time."

Trading throughout Friday afternoon and Saturday morning was at the old rate — about IL15 to the dollar. But later yesterday, when dollars started running out, some anxious buyers were offering as much as IL15 and IL14 for a dollar. But it was not long before the changers were right out of foreign currency — not only dollars, but German marks and Swiss francs as well — and the "Sorry, no more dollars" signs (some scrawled in Hebrew) began to go up.

Some of those who had managed to buy "cheap" dollars on Friday and earlier yesterday were prepared to make a quick killing, and offered to sell their newly acquired dollars for IL15 each. Some eager tourists were asking as much as IL20 for their dollars. Other more naive tourists found themselves "ripped off," selling their dollars to the money changers at the old rate.

There has been no authoritative assessment of the amount of dollars sold in East Jerusalem and other West Bank cities over the weekend, but informed sources said that it cannot be too large as the "not currency" at the moment remains the Jordanian dinar, which was trading for IL45 in most places.

The East Jerusalem money changers were reticent to discuss the implications of the new policy for their future livelihood, preferring to adopt a "wait-and-see" attitude.

Histadrut warns of strike

(Continued from page one)

benefit the rich and victimize the poor. Speaking on Israel Radio over the weekend, Meshel said that the new measures are a "whodall for the workers, but are 'harsh' and worrying news" for the workers.

"It is good for the dollar-owners, while the Government has promised to compensate the social-welfare cases," Meshel said — "and within six months the workers will become social-welfare cases themselves." Meshel rejected the notion that "liberalization" could extend to all but the wages of workers. "If there is to be liberalization and a free economy," he said, "then we too will engage in freedom. We will not agree to prices going up while we wait, in January, for a cost-of-living increase in April."

In reply to a question, Meshel complained that "the ink had scarcely dried" on Finance Minister Shimon Peres's document providing for

subsidy cuts when he dropped his new bombshell. "What is the point in holding discussions in such a situation?" he asked. "There is now no need for discussion; each one will do as he sees fit."

Former finance minister Yehoshua Pines said the Government's move was "a hasty and foolhardy step" likely to have very severe implications for the economy. Like Meshel, Pines said the new measures would benefit the rich and impoverish the poor.

Labour Party leader Shimon Peres expressed a similar view over the weekend, adding that the hoped-for bonanza in an influx of foreign currency into the country would not materialize. He noted the difference between the policy of a Labour-led government, which was concerned with an equitable distribution of the nation's wealth, and that of the present government, which called for "the survival of the fittest." (Him)

Shavit wary of predicting effect of economic moves

TEL AVIV.—The true effect of lifting controls and floating the Israeli pound will only become apparent in 10 days or two weeks — for the matter is just as much psychological as financial, Avraham "Buma" Shavit, president of the Manufacturers Association, said yesterday.

"Anybody who wants to make a prediction today is either a fool or a prophet," he added.

The psychological effects could lead to a panic-dumping of Israeli pounds and a panic buying of dollars, or the exact opposite. "Those in a panic do illogical things," he said.

SCRAMBLE FOR BONDS SEEN

By JOSEPH MORGENSTERN
Jerusalem Post Reporter

TEL AVIV.—When the Tel Aviv Stock Exchange reopens its doors on Tuesday there is every likelihood of a massive demand for index-linked debentures.

Investors will be counting on a sharp rise in the consumer price index in the coming months. At current price levels this makes the index-linked bonds a most attractive investment.

While the public will be scrambling to buy these bonds, the representative of the Bank of Israel will be standing ready to supply vast amounts.

The Bank of Israel in the past month has intervened and has been

close watch on price trends. He believes the first wave of price increases should bring them up by 10 percent. If they should rise beyond that point, he said, the government would "discuss the possibility" of increasing the payments.

Life in Israel will now be much more difficult "not only for the vulnerable low-income groups" but for the middle-classes too, Dr. Katz told The Jerusalem Post.

But he praised the new programme, saying it should expedite renewed economic growth and also boost productivity. He also believes the new policy should act as a safeguard against unemployment and make our economy more respectable.

Nevertheless, the general price increase of 10 percent he anticipated would make it much more of a task for middle-class families to make ends meet. "Unlike people on welfare, those above the poverty line will not really be compensated," he said.

However, he noted that the 12 percent compensation for every child will through the National Insurance Institute was "very important and encouraging."

He emphasized that "nobody can foresee the future." More explicitly, he warned that "we will have to be very sensitive over the coming months in order to follow up and compensate groups in need."

In a statement released by the Government Press Office last night, Deputy Minister Yoram Aridor agreed with Dr. Katz. He said the 12 percent increase in family allowance and other payments by the National Insurance Institute

beginning next month would not alleviate the plight of low-wage earners.

Aridor noted that a family with three children, whose income is IL3,000 per month plus a IL700 monthly family allowance payment, will receive an additional IL300 per month. Meanwhile, living expenses will rise by approximately IL300 per month.

In addition, Aridor said, the cost-of-living increase intended to compensate for these new price increases will probably not be paid for another half-year. Even then, part of it would be withheld, he added.

But Aridor emphasized that the new economic policy was a "healthy economic action" that would bring in new business investment and increase employment opportunities.

In Jerusalem, the Association of Social Workers yesterday pleaded Prime Minister Begin's home, demanding that the government drop the new economic policy immediately.

Association spokesman Avner Amiel told The Post last night that it will post a vigil outside Mr. Begin's home, and probably bring in members of an organization called the "Association of Welfare Recipients" to join them.

According to Amiel, the real problem is not the plight of the welfare recipients "but the four times as many working families who are fast approaching the poverty line by virtue of their low earnings."

He tied this to what he said was the government's "expatriation to the thinking of U.S. economist Milton Friedman aimed at knocking down every Israeli's standard of living."

Banks and stock exchange closed

Jerusalem Post Staff

Banks will be closed today and will only reopen for business tomorrow morning. Bank directors and managers of the foreign exchange departments will be meeting all day with Treasury and Bank of Israel officials to prepare themselves for operations without foreign exchange controls.

The Tel Aviv stock exchange will be closed today and tomorrow. All orders placed have been cancelled and clients will have the opportunity of letting them lapse automatically or renewing them.

On Friday afternoon, shortly after the one p.m. closing, banks were notified to clear all personnel from the banks after two p.m. Banking officials were taken by surprise, and did not learn of the new policy until the Government's public announcement over the radio and television.

Bank managers and their assistants will be allowed into the banks this morning, but other personnel can only enter at 11 a.m., or possibly later, if the foreign currency inspectors have not completed their check.

Computer and clearing personnel, however, will report to work as usual.

What about VAT?

Jerusalem Post Reporter

The Value Added Tax has been raised from 8 percent to 12 percent, subject to the formal approval of the Knesset Finance Committee. Financial institutions will pay 9 percent instead of 6 until now, and non-profit organizations will pay 5 percent instead of 3.

Simultaneously, purchase taxes to an amount estimated at a total of IL2b. will be reduced or abolished altogether. The combined impact on the price level of the higher VAT together with the lower purchase tax, will, according to the Treasury, be 2.7 percent.

The reductions of purchase tax are about 20 percent, on the average. They cover construction materials, textiles, rubber and leather products and packing materials, household wares, cosmetics and other products. The final prices of most durable consumer goods such as washing machines, refrigerators, cars and the like, will rise substantially.

The combined effect of lower ad valorem duties, higher specific duties, a lower exchange rate and lower purchase taxes in these products has the result that a Fiat 127 car, for example, will now cost IL108,000 instead of IL101,000, and a washing machine which until now cost IL4,400 will rise to IL5,800 — some 33 percent.

Wilson here as Katzir's guest

REHOVOT.—Former British prime minister Sir Harold Wilson and Mrs. Wilson arrived last night to attend today's ceremony at the Weizmann Institute, at which Sir Harold will be awarded an honorary doctorate. The Wilsons were driven to Jerusalem, where they are the guests of President and Mrs. Katzir at Beit Hanassi.

Meanwhile, the other recipient of an honorary doctorate at today's ceremony, artist Marc Chagall, failed to show up at a press conference he was due to address on Friday. Over 50 newsmen and TV crewmen were told by Mrs. Chagall that the artist had gone to the beach and did not want to talk to anyone.

Chagall spent the weekend in his apartment at the Institute, refusing to see anyone. He was also reported to be refusing to go to any of the receptions arranged in his honour, including one to be attended by the Prime Minister.

THE ITALIAN EMBASSY in Tel Aviv (Cultural Section) informs those who wish to receive a proficiency certificate in Italian that they will be tested in March 1978.

Nat'l Insurance payments rising by 12%

Jerusalem Post Staff

The new Minister of Labour and Social Betterment, Israel Katz, last night directed the National Insurance Institute to raise its payments beginning next month, by 12 percent.

Family allowances, beginning with the first child, are included. Dr. Katz also ordered National Insurance senior officials to keep a

close watch on price trends. He believes the first wave of price increases should bring them up by 10 percent. If they should rise beyond that point, he said, the government would "discuss the possibility" of increasing the payments.

Life in Israel will now be much more difficult "not only for the vulnerable low-income groups" but for the middle-classes too, Dr. Katz told The Jerusalem Post.

But he praised the new programme, saying it should expedite renewed economic growth and also boost productivity. He also believes the new policy should act as a safeguard against unemployment and make our economy more respectable.

Nevertheless, the general price increase of 10 percent he anticipated would make it much more of a task for middle-class families to make ends meet. "Unlike people on welfare, those above the poverty line will not really be compensated," he said.

However, he noted that the 12 percent compensation for every child will through the National Insurance Institute was "very important and encouraging."

He emphasized that "nobody can foresee the future." More explicitly, he warned that "we will have to be very sensitive over the coming months in order to follow up and compensate groups in need."

In a statement released by the Government Press Office last night, Deputy Minister Yoram Aridor agreed with Dr. Katz. He said the 12 percent increase in family allowance and other payments by the National Insurance Institute

beginning next month would not alleviate the plight of low-wage earners.

Aridor noted that a family with three children, whose income is IL3,000 per month plus a IL700 monthly family allowance payment, will receive an additional IL300 per month. Meanwhile, living expenses will rise by approximately IL300 per month.

In addition, Aridor said, the cost-of-living increase intended to compensate for these new price increases will probably not be paid for another half-year. Even then, part of it would be withheld, he added.

But Aridor emphasized that the new economic policy was a "healthy economic action" that would bring in new business investment and increase employment opportunities.

In Jerusalem, the Association of Social Workers yesterday pleaded Prime Minister Begin's home, demanding that the government drop the new economic policy immediately.

Association spokesman Avner Amiel told The Post last night that it will post a vigil outside Mr. Begin's home, and probably bring in members of an organization called the "Association of Welfare Recipients" to join them.

According to Amiel, the real problem is not the plight of the welfare recipients "but the four times as many working families who are fast approaching the poverty line by virtue of their low earnings."

He tied this to what he said was the government's "expatriation to the thinking of U.S. economist Milton Friedman aimed at knocking down every Israeli's standard of living."

U.S. abstains on UN's latest anti-Israel resolution vote

By MALKA RABINOWITZ

Jerusalem Post Correspondent
UNITED NATIONS.—In what some observers interpreted as a signal that the Carter Administration would oppose Security Council action on the West Bank settlement issue, the U.S. abstained on Friday when the General Assembly adopted an anti-Israel measure.

Only Israel voted against the Egyptian-sponsored resolution that censured Israel for the establishment of settlements in "the Arab territories occupied by Israel," terming these actions illegal and an obstruction to Middle East peace efforts.

The vote was 131 in favour with seven abstentions. In addition to the U.S., the countries that abstained were Nicaragua, Papua New Guinea, Costa Rica, Fiji, Guatemala and Malawi. Ten countries were absent.

A softening in the American position was detected in the statement made by the chief U.S. delegate, Andrew Young. The statement did not contain the words "obstacles to peace" — a phrase used in the past by President Jimmy Carter to characterize the West Bank settlements.

Young, however, quoted from a statement made by a predecessor, William Scranton, to describe the settlements as "illegal."

The resolution asked UN Secretary-General Kurt Waldheim to undertake efforts with Israel to force withdrawal, and to report back to the General Assembly and the

Security Council by December 31. U.S. reluctance until the last moment to reveal how it would vote was seen as a factor swaying some governments towards voting with the vast majority rather than abstaining or staying away. Ambassador Young spoke only after the vote.

Young said the resolution was on the whole consistent with the American position. The U.S. was abstaining, he said, because it had to take a position of strict neutrality as a result of its role as a co-chairman, with the Soviet Union, of the Geneva peace conference on the Middle East.

Israel Ambassador Chaim Herzog, in a statement issued after the vote, said: "The UN has condemned Israel once again. What else is new?"

Herzog welcomed the American abstention and attacked West European support for the resolution. He said their vote was a "sad commentary on the depths to which political expediency has dragged down countries which once stood in the forefront of the struggle for independent thought in Western society."

In an earlier statement, the Israeli Ambassador said that under international law the settlements in the administered territories are legal. He said Jordan and Egypt had no legitimate claim to sovereignty in the West Bank and Gaza, and that Israel could not be considered an "occupying power" under the provisions of the fourth Geneva conference.

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U.S. Treasury welcomes move

Jerusalem Post Correspondent

WASHINGTON.—The U.S. Department of the Treasury fully supports Israel's new economic programme, including the decision to float the Israeli pound.

Treasury sources said that the U.S. has long supported this type of "added flexibility" to the exchange rate, convinced that this step was needed to restructure the Israeli economy on a sounder, more realistic basis.

It was understood by the sources that neither the International Monetary Fund nor the major central banks operating on the international money market will move to support the Israeli pound artificially. Speculation will be allowed to take its normal course, they said.

Officials here believe that the U.S. will have to continue to provide Israel with substantial economic assistance in the foreseeable future because of Israel's "abnormal" requirements for defense expenditures. But they predicted that this economic aid programme should taper off as Israel attracts greater foreign investment.

Israel's economic moves were welcomed on Capitol Hill, where Congressmen recently approved the fiscal year 1978 foreign aid bill, which includes some \$1.8b. in economic and military assistance for Israel. That bill has now been sent to President Jimmy Carter for his signature into law.

Political officials at the State Department and the White House were impressed by the "decisiveness" of the Israeli move. They feel that Begin and Ehrlach have acted boldly and are hoping that Israel will not now get involved in a major domestic embroilment which could affect the current U.S. initiative to reconvene the Geneva conference.

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THIS WEEK
Lotto Draw 44/77
Minimum first prize fund
IL900,000
accumulating up to
IL1,000,000
Tomorrow is the last day
for handing in Lotto entries.

THE WEATHER

Forecast: Partly cloudy

	Yesterday's Humidity	Yesterday's Min-Max	Today's Max
Jerusalem	61	10-13	21
Golan	33	14-24	22
Nahariya	40	13-26	27
Safed	44	12-18	22
Haifa Port	47	14-23	30
Tiberias	35	15-24	28
Nazareth	32	14-26	28
Afula	93	14-21	23
Shomron	85	17-23	26
Tel Aviv	47	15-24	26
B-G Airport	32	13-30	32
Jericho	49	15-24	26
Gaza	48	15-22	24
Ereznahbe	28	15-26	30
Eilat	28	26-26	28
Tiran Straits	24	25-29	36

marcation talk at cial Betterment

by SUSAN BELLAS
Jerusalem Post Reporter

For order in the whole system, Israel Katz, the new Minister of Social Betterment, on Friday that there are six areas, income, housing, employment, personal and communal services and education.

Interview with The Post, Katz explained that the new, modern social welfare system, which will be a six area, income, housing, employment, personal and communal services and education.

who is a former social and head of the Hebrew Ministry's Baerwald School of Work, said that this can be understood in the example of a disadvantaged child. He or she is in a very broad area, health, family income and so on. While it is perfectly true that there may be overlapping areas, education cannot be from the general area of betterment.

his argument is reduced to its essence as an opposition to social welfare. Katz points out that some of the Ministry's budget of the Ministry of Education's social project should be subject to scrutiny by his ministry. object, which grew out of the

Prime Minister's Commission on Youth in 1973, of which Katz was the chairman, was started by former Education Minister Aharon Yarlin. It concentrates particularly on extra-curricular education activities, such as informal learning activities for marginal youth at local community centres, and many of its activities are indistinguishable from social welfare activities.

Education Ministry's spokesman Israel Cohen said that one ministry was enough to deal with education, and he said that 60-65 per cent of the special project's activities were carried out inside the schools, such as remedial lessons, the long school day and parents' activities. "We don't need social workers dealing with disadvantaged kids," he emphasized.

"If it will make Dr. Katz feel any happier," he said, "we can call the project by another name — say the strengthening of education in weaker sectors or something, instead of social betterment."

Cohen said that he did not know of any planned meeting between the two Ministers. He added, however, that he agreed that there should be more co-ordination.

Katz made it very clear that "I am not seeking any confrontation with the Minister of Education." He was not out "to build another empire," he assured The Post. "I just think we should all sit together and discuss and introduce some order into the whole welfare system in order to make it work better."

rt stops hospital chimney

Jerusalem Post Reporter

Jerusalem Magistrates Court on Friday issued a stop-work order on the new Shaare Zedek hospital's chimney.

asked for the order so that it would be no pressure of cases, as we decide how to deal with them," Deputy Mayor Benvenisti told The Post last night.

hospital had failed to obtain a building permit to build the chimney to the height that had been decided by a committee of experts from the Health Ministry. Hospital maintained that due to a

"misunderstanding" they had received the approval they had received for a 25-metre chimney was in force for the taller one.

Prof. David Maler, director-general of Shaare Zedek, told The Post that the hospital "would observe the law" even if it would cost them extra money. But it is desirable, he said, to pour cement for the chimney 24 hours a day. Too long an interruption could weaken the chimney and force demolition, an eventuality that could cost "a few million pounds."

Benvenisti said that the chimney must be the shortest possible in order not to ruin the view and the highest possible to minimize ecological damage to the neighbourhood.

El Al security hero in over 'secret documents'

V (Itim). — Private detective

technical Rahamin — who as security guard failed an attempt at Zurich in 1969 cleared on IL5,000 bail on in connection with the upping of hundreds of government documents.

ed with the 80-year-old, also on IL5,000 bail, was Mr. Pilevsky. Their activities agency had been an investigation into the party on behalf of another

representative, told the some 700 photographed, one a classified military been found in their office, had not denied they were sure the photographs, but were actually taken by a y. But Rahamin — who was the only one who this party was — had identify him.

cross, rejecting the police that the two be held for 15 that the tiresome job of



Mordechai Rahamin as he looked in 1969.

studying all 700 documents had revealed no sign that Rahamin or Pilevsky had committed a crime — whatever it was — doing the documents might or might not reveal. They had not tried to hide the photographs once police called, and there was no excuse for holding them just to find out who had obtained the material for them.

However, it was clear that such documents belonged in official government files, not "rolling around in the street," the judge added.

in reproduction congress closes

V (Itim). — The second

of Barkai and Dr. Henry a, of Afula Hospital, told of the work being done hospital's male fertility in which runs a sperm bank. I that thousands of sperm sva been deposited in the men who have suffered in-ferility problems in The sperm is frozen and

can be stored for many years for artificial insemination. To date 79 such inseminations have been performed in Israel, they said, resulting in 43 successful pregnancies.

Another participant, Prof. Sidney Shulman of New York, described his work on the problem of antibodies which some women develop to their husbands' sperm — or which some men develop to their own sperm — thereby causing infertility.

The congress was attended by some 400 foreign experts in the field, joined by about 300 local physicians and researchers.

Double dealing

A well-known Jerusalem contractor was arrested on Friday night on suspicion of selling the same apartment twice over, taking IL800,000 each from two separate buyers.

A French tourist complained to the police last week that he had paid the full amount to the contractor, for a new apartment in Jerusalem's Kiryat Shmuel quarter, only to find that the apartment was already spoken for. Police are investigating whether or not the contractor concerned has conducted similar double-deals in the past.

He is expected to be brought before the Magistrate's Court today, for extension of his remand. (Itim)



New Air Force Commander David Ivri receives his aluf insignia yesterday from Defence Minister Ezer Weizman and congratulatory handshake from Chief of Staff Rav Aluf Mordechai Gur.

Ivri takes command of IAF

Jerusalem Post Reporter

Aluf David Ivri assumed command of the Air Force in a short ceremony at a major air base on Friday.

Earlier, Defence Minister Ezer Weizman gave him the aluf rank in a ceremony in the Chief of Staff's office.

Ivri and the outgoing commander, Aluf Binyamin Peled, arrived at the parade grounds as F-15, Kfir, Phantom and Skyhawk jets flew overhead in close formation. The planes were followed by helicopters.

An officer carrying the IAF's light blue flag handed it to Peled who gave it to Ivri, symbolizing the change of command.

In his order of the day Peled, who had commanded the force during the Yom Kippur War, thanked the soldiers for their cooperation. He then left the main stand for a seat near the families and Chief of Staff Rav-Aluf Mordechai Gur who had slipped in without the pomp which usually accompanies such ceremonies.

Ivri's voice reflected his excitement as he read his order of the day asking his soldiers to contribute to strengthening the force.

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Tamir denies torture allegations

Jerusalem Post Reporter

TEL AVIV. — Justice Minister Shmuel Tamir has emphatically denied that political prisoners in Israel are tortured.

He told the Commercial and Industrial Club here on Friday that his first act upon assuming office last week was to order an investigation into the allegations the London "Sunday Times" made last spring. "I was a political prisoner myself (for Irgun Zvai Leumi activities by the British administration), and am very sensitive to the issue. I am positive that no torture whatsoever is applied to

political prisoners in Israel." Allegations of torture were part of a smear campaign intended to move world opinion against Israel, Tamir said.

Coming straight from the cabinet meeting at which the new economic measures were decided, Tamir said Israel was facing "times as dangerous as those of 1948, when 600,000 Jews stood firmly against attack." The next few months or years will prove critical not only for the physical existence of Israel and its three million Jews, but for the future of the Jewish people, the Justice Minister said.

Universities face tightening of belts

Jerusalem Post Staff

The Hebrew University's 13,500 students start the academic year today against a background of severe budgetary cuts, the university's spokesman reported.

The cuts, he said, will affect research, acquisition of books and the replacement and purchase of new equipment.

The spokesman said the university is currently looking for additional sources of funding, both in Israel and abroad, to support research.

There will be several innovations this year. One will require all faculties to conduct student polls on the quality of teaching.

Other innovations include: a strengthening of the position in German language and literature, and the inauguration of a chair in German history, both with financial assistance from Germany.

The legal aid workshop set up experimentally last year will continue to give free consultation to needy clients.

There will be a new course in medical statistics at the Faculty of Medicine.

The Faculty of Dental Medicine is setting up a clinic where students will treat patients with chronic illness under the supervision of teachers.

The Martin Buber Adult Education Centre has set up a community development and adult education project in Musara.

At Haifa University, the board of governors will hold its seventh annual meeting today, facing a budget deficit of about IL5m.

Acting President and Rector Prof. Shlomo Breznitz and Executive Board chairman Akiva Levinsky reported on Friday that the university and the Technion have agreed on the joint use of the latter's computer facilities at a saving of several millions, "a step in the right direction toward a desirable eventual merger," Breznitz commented.

They also reported that operating budgets have been balanced during the past two years by authorizing only expenditure for which money was available. Since 1974 the number of academic and administrative posts has shrunk from 420 to 356, while the number of students has risen from roughly 5,000 to 7,000 (ten per cent of them Arab), they added.

Today Gershon Avner is to be confirmed as the new president, succeeding Eliezer Ratafiel.

El Al advises airlines how to combat hijacking

Post Aviation Correspondent

BEN GURION AIRPORT. — El Al has given advice and training on air security to about 20 airlines over the past decade, and is willing to provide help to any airline interested in protecting its passengers against hijacking and sabotage, the company's spokesman said last week. He added that he expects additional requests for assistance in the wake of the recent wave of hijackings.

El Al has divided the baggage compartment into separate sections. This means that in the event of a mid-air explosion the damage is limited, and the plane can continue to fly.

El Al's training director Mordechai Ben-Ari is planning to stress the issue of air security at the meeting of the International Air Transport Association in Madrid which opens on November 8.

"Yes" to canal treaty

PANAMA CITY (UPI). — Final returns on Friday night showed voters approved the Panama Canal treaties by a better than 2-1 margin in a referendum. Out of a total of 768,858 votes cast, 508,927 voted for and 245,112 against the treaties, according to the electoral tribunal. There were 13,626 ballots voided.

Voter turnout for last Sunday's balloting was the highest in the history of Panama. There are 800,000 registered voters in the nation of 1.7 million.

Nahmias mum on bribe report

Former chief police intelligence officer Sami Nahmias, in his meeting with Tat-Nitzav Deputy Commander Reuven Minkovsky on Friday, refused to divulge details about a bribe reportedly taken by a senior police officer.

Nahmias, who left the police four months ago following disagreements with his colleagues concerning the structure of the force, told reporters after his meeting with the head of the police investigation department that he had found it "degrading" and had told Minkovsky nothing.

Nahmias said that he had told the man who had reportedly informed him of the bribe after he had left the force to report the matter to the police himself — "if he did not go to the police and choose to come to me, of course I won't be the one who tells the police," he pointed out.

The meeting, which lasted a few minutes, took place in the Russian Compound as Nahmias has refused to enter the national police headquarters in East Jerusalem since he left the force. (Itim)

Rehabilitation centre for Bar Ilan U.

Jerusalem Post Reporter

TEL AVIV. — A new rehabilitation centre for brain-injured veterans was officially opened here last week by Bar Ilan University and the Ministry of Defence rehabilitation department.

A pilot project with such veterans has been going on at Bar Ilan for three years and its success prompted the construction of the new centre, built with funds provided by the Dr. Isler Foundation.

There are 30 veterans at the centre, located in the Montefiore Quarter of Tel Aviv. This neighbourhood, which houses many garages and workshops, was chosen to give the men the feeling of going to work rather than of a clinic or hospital. The centre is a sheltered workshop with varied types of work, plus courses in history, geography, Hebrew and other subjects, as well as recreation and counselling services. Students and faculty of Bar Ilan work directly with the veterans and the centre's staff.

Fund to improve hotel standards

Jerusalem Post Reporter

The Ministry of Industry, Commerce and Tourism has set up a IL10m. fund for the improvement of hotels not now recommended for tourists, to bring them up to tourist standards.

The assistant director-general, David Wilk, said that there are now 700 hotel rooms in Jerusalem, Tel Aviv, Haifa and Eilat which could be improved with little investment.

The fund will grant loans for that purpose and thus help to increase the number of rooms available for tourists. The number of tourists is expected to increase sharply during the 20th anniversary year of the State of Israel, next year.

Radio news dispute

Israel radio news room staff are holding an emergency meeting today to discuss whether or not they can continue functioning without a professional news director. The post has been vacant for six months. Although Dan Fattir, press adviser to the Prime Minister, won the appointment two months ago, he has not yet taken up his duties and no date has been set for him to do so.



U.S. film star Kirk Douglas arrived in Israel yesterday after an absence of more than 10 years and immediately began to re-familiarize himself with some of the country's better known products, such as this glass of Jaffa orange juice and this Ben-Gurion Airport spokeswoman, Douglas, who was last here to star as Col. David "Mickey" Marcus in the film "Cast a Giant Shadow." is currently here for a week's filming for a new movie about international terrorism, entitled "The Fury." (Lester Mhlman)

Kollek to Begin: unified status of Jerusalem is not assured

Jerusalem Post Staff

Mayor Teddy Kolek has appealed to Prime Minister Menachem Begin to place the problems facing Jerusalem as the united capital of Israel on the top of the Government's agenda, expressing his fear that time might be running out "to create all the facts we had hoped to create in the city."

In a letter sent to Begin over the weekend, Kolek noted that U.S. Treasury Secretary Michael Blumenthal's refusal to undertake a tour of the re-united city last week "has once again shown that the city's unified status as the Capital of Israel is not assured."

The mayor's spokesman told The Jerusalem Post last night that Kolek had complained to Begin that decisions taken by successive governments relating to the Capital

had remained largely unimplemented. He accused the various agencies engaged in the development of the city of "complacency" and of a failure to appreciate the full gravity of the situation.

Kolek called on the Government to deal urgently with the continued development of the Capital, to encourage investment, and to accelerate the development of its new quarters. He also asked that services available to the city's Jewish and Arab sectors be equalized without delay, and that official receptions and state celebrations be held in the Capital.

The mayor finally called on the Prime Minister to tour the city and see for himself the problems confronting the Capital.

Airline name labels to be compulsory

GENEVA (Reuters). — All

passengers on the world's major airlines must have name labels on their baggage from next Tuesday, November 1, the Geneva-based International Air Transport Association (IATA) announced here last week.

IATA said the decision, covering more than 100 IATA member airlines, was aimed at speeding up recovery of lost baggage. It made no reference to air security.

IATA said less than one-per-cent of the total passenger baggage handled throughout the world got misdirected and that most of this was recovered within 24 hours.

Mormon park for Mount of Olives

Jerusalem Post Reporter

A 24-dunam park will be developed on the Mount of Olives in Jerusalem by the Mormon Church of Salt Lake City, Utah. The park is planned as part of the green belt to surround the Old City by the Jerusalem Foundation and the municipality.

At a press conference held last week in Salt Lake City, Elder Lebrand Richards of the church's council of Twelve announced the project, adding that his sect does not conduct missionary efforts in Israel.

The Israel Government and the municipality have pledged to care for the park for the next 999 years.

SPECIAL OFFER TO
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THE JERUSALEM
POST

The CRUSADERS IN THE HOLY LAND

by
Meron Benvenisti

This handsome volume surveys the 200 years (1099-1291) that the Crusaders were in Palestine, with special emphasis on Crusader castles, towns, churches, monuments and shrines. Describes the customs, implements, clothing and food, the armies and the humbler folk of the time. Over 400 pages with hundreds of illustrations.

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"Lorillard showed an increase in sales spurred by the popularity of the new Kent Golden Light brand. Total sales of Kent are up 14% over last year" (Tobacco Reporter, July 1977)

United Synagogue of Israel

בתי הכנסת המאוחדים תנועת היהדות המסורתית בישראל

Congratulates

ngregation Beit Yisrael, Netanya

on the dedication of their new synagogue
Sunday, October 30, at 8 p.m., 11 Kikar Ha'atzma'ut

ngregation Ramot Zion, Jerusalem

on the cornerstone setting of its new synagogue
Tuesday, November 1, at 8 p.m., Givat Shapira (French Hill).

Soviets claim former Ukrainian helped Nazis

U.S. protests Soviet attempt to blackmail American envoy

MOSCOW (Reuters). — The U.S. has delivered a strong protest to the Soviet Union over what it says was an attempt to blackmail an American diplomat of Ukrainian origin into working for Soviet intelligence, the American Embassy said yesterday.

The U.S. protest, delivered in Moscow on October 19, was reported by the American Embassy after the Soviet's semi-official Novosti press agency sent an article to Western news organizations accusing the diplomat of having taken part in Nazi war crimes.

The embassy said the note also declared the incident, involving a U.S. delegate to an inter-governmental conference in Tbilisi, Soviet Georgia, could serve to retard relations between the two countries.

Instead of replying to the protest, the Soviet Foreign Ministry had on October 26 handed over a note making similar charges to those in the Novosti article, an embassy spokesman said.

The embassy note said a man identifying himself as an official of the Committee of State Security, the KGB, had forced his way into the hotel room of the diplomat, Constantine Warvariv, in the early hours of October 16.

The man, who gave his name only as "Ivan Ivanovich," produced a letter "purportedly implicating Warvariv in Nazi collaboration during World War II," the note added, according to the embassy.

He then threatened to make its contents public if Warvariv — a senior

official of the U.S. delegation to the UN Educational, Scientific and Cultural Organization (UNESCO) in Paris — refused to cooperate "by providing information on U.S. diplomats working at various American embassies," the note said.

The note said the diplomat — who was attending a UNESCO conference in the capital of Soviet Georgia — "immediately identified the letter as a forgery."

Another man then joined "Ivan Ivanovich," but Warvariv "refused to cooperate with the individuals and rejected their crude attempts at blackmail," it added, according to an embassy spokesman.

The spokesman said an embassy official was called to the Soviet Foreign Ministry on October 26 and presented with a note which repeated allegations against Warvariv made in the letter.

Meanwhile, the Novosti article on Warvariv was telecast to Reuters in London on Friday night, the spokesman said. The article — saying Soviet Attorney-General Roman Rudenko had ordered proceedings instituted against Warvariv "on the charge of participation in Nazi military crimes" — has not been issued publicly in Moscow, but was also made available yesterday to U.S. correspondents.

"The Soviet note and the Novosti piece are clearly attempts to cover up a heavy-handed recruitment effort directed against a U.S. diplomat in clear violation of his diplomatic immunity," the American spokesman added.

The Novosti article linked the allegations with Washington's human rights campaign, in what diplomatic observers said could be part of the Soviet response to American insistence on detailed discussion of humanitarian issues at the Belgrade European security conference.

The fact that Warvariv — whom it described as "a Nazi criminal" — held "so high a post in the Carter Administration and represents the U.S. in one of the most authoritative international organizations clearly shows how much those who capitalize politically on human rights care for them in reality," the Novosti article said.

The American note described the incident, on the first day of the UNESCO conference, which ended on Thursday as "a blatant violation of the Vienna convention on diplomatic relations."

It was also "unacceptable harassment of a U.S. diplomat and gross interference by the Soviet hosts with the proper activities of a U.S. delegate to a major international conference," the note added.

The man who identified himself as "Ivan Ivanovich" acted throughout the three hours in which he stayed in the diplomat's room "in an insulting, pre-emptory and threatening fashion," it declared, according to the spokesman.

The incident was "an impermissible abuse of the norms of behaviour which should govern the relationships between our two nations," the note said.



St. Louis, Missouri woman bites hand of would-be purse-snatcher in supermarket parking lot. The man ran away. Picture was taken by bystander from 200 feet away. (UPI telephoto)

South Africa arrests many black 'thugs'

JOHANNESBURG (UPI). — South African police have rounded up an unspecified number of black "thugs" in the past few days but a police spokesman said the arrests did not constitute a nationwide swoop on anti-apartheid dissidents.

Police Maj.-Gen. Dawid Kriel, in charge of nationwide riot control, who earlier said police arrested large numbers, among them alleged leaders of the present unrest, later clarified his remarks and said: "All that has happened is that police have arrested several people over a period of more than two weeks. They were mainly 'thugs' (thugs)."

Meanwhile the leader of South Africa's major white opposition party, Colin Eglin, yesterday said the national government of Premier John Vorster was leading the white-ruled Republic to "disaster in a cul-de-sac of division, isolation and conflict."

At a Johannesburg meeting to coordinate strategy for the November 30 election called by Vorster, the Progressive Federal Party leader said government "policies are no longer relevant except as signposts to disaster."

James M. Cain, 85

UNIVERSITY PARK, Maryland (Reuters). — American novelist James M. Cain died here on Thursday night, aged 85.

Hospital officials said Cain, who had a history of heart trouble, was dead on arrival at hospital after collapsing at his home.

Among his most successful books were, "The Postman Always Rings Twice" and "Double Indemnity."

Yugoslavs say Madame Broz not questioned

BELGRADE. — A senior Yugoslav official has denied reports that a commission has been set up to question President Tito's wife, Josip Broz, about her alleged interference in political appointments.

Despite repeated questions, the official, Branko Mikulic, who is a member of the Yugoslav Communist Party's Presidency, declined to explain to reporters on Friday the reasons for Madame Broz's absence from the public eye since mid-June.

Well-informed sources have said that she was confined to Tito's private residence in Belgrade and was being questioned by an informal inquiry commission, or panel, set up on the 85-year-old president's orders.

But Mikulic stated: "I can say that no commissions of any kind have been formed." He did not mention whether there had been an inquiry.

Mikulic also denied Western reports that a kind of confidential party memorandum on Madame Broz had been circulated among top party officials recently.

Madame Broz, 54, was seen almost unfailingly at her husband's side for two decades. But she disappeared from public view in June and failed to accompany Tito on his recent visits to Moscow, North Korea, Peking, Paris, Lisbon and Algiers. The Foreign Ministry has said she is not ill.

Good for shipping

HAIFA. — The new economic policy will wipe out the discrimination which the merchant navy and ports have suffered in the past, according to the director of the Shipping Research Institute, Dr. Naftali Wydra.

The head of the Dagon Silo Company (a foreign investment), Reuven Hecht, said last night that the new policy was "a revolutionary step, a blessing or a curse depending on the reaction of the public. If it reacts with self-restraint in the interest of survival and abstains from speculation, it will be beneficial, leading to the repatriation of runaway capital and the stimulation of investments from abroad."

Hijackers surrender in Singapore

Two Vietnam officials killed in DC-3 hijack

SINGAPORE (Reuters). — Two Vietnamese officials were killed yesterday and a third person was wounded aboard a Vietnamese airliner which was hijacked and flown to Singapore.

Four people who hijacked the plane, which carried 34 passengers and two crew members, surrendered to Singapore authorities, police said. The hijackers of the veteran twin-engine DC-3 Dakota threw their weapons — a revolver and three knives — on to the tarmac at isolated Seletar airport. The propeller-driven Air Vietnam DC-3 was allowed to land there because it was running short of fuel, an official statement said.

The four hijackers were taken into police custody.

The arrival of the plane here, with two bodies aboard, presented the government of Prime Minister Lee Kuan Yew with a major diplomatic problem.

It will now have to decide whether to return the four hijackers to Vietnam or grant them the political asylum they wish. Singapore has no extradition treaty with Vietnam.

Singapore authorities refused to allow the plane to land at the late state's main Paya Lehar commercial airport and diverted it to Seletar on the outskirts of the city.

During five hours of negotiation between the Singapore authorities and the four hijackers, reports were given details of what was going on.

Rees said Okasha returned to his home in March this year using a passport. He had been given supervised departure by the British Office in March 1976 after receiving a six-month sentence for assault on a police officer during a demonstration. Material was found in his flat.

Rees went on: "Okasha left U.K. from Heathrow Airport on 10 March within a matter of hours of his being committed." He entered the country using the name of Ahmed al-Majidi.

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Mogadishu hijacker was suspect in assassination of Yemen P.M.

LONDON (Reuters). — An Iraqi hijacker, killed in the German commando rescue at Mogadishu airport, had been sought by the British police for the murder here last April of a former North Yemeni prime minister, the British Home Office revealed yesterday.

The Iraqi, Zubair Okasha, 22, flew out of the country within hours of the murder. Home Secretary Merlyn Rees said in a letter to Conservative Member of Parliament Leon Brittan, who had expressed concern about "the very suspicious circumstances" surrounding the case.

The letter is the first official word on how Okasha left Britain after the murders of Hadi Abdullah al Hagri, former North Yemeni prime minister, his wife and a Yemeni diplomat. It did not refer to the five-day hijacking which ended at Mogadishu.

Rees said the text of the recording would be included in government's official report on kidnapping and the West German police commando raid which liberated passengers of a hijacked plane at Mogadishu.

The "COP" leader — promised government parliamentary support in passing new anti-terrorism legislation.

The democratic state must give teeth and must be allowed to," Strauss said.

Groucho's friend 'Vampire of Wales' visits San Francisco

LOS ANGELES (Reuters). — Legal battles over Groucho Marx's money resumed on Friday amid charges of fraud.

Erin Fleming, the late comedian's longtime companion, was sued for \$1.6m. by his estate. The suit accused her of fraud, threats, manipulation, deceit and high-living at Groucho's expense.

Marx died here in August, aged 85. In the final months of his life, Mrs. Fleming and his family fought a bitter court battle over control of his multi-million dollar wealth.

Friday's suit was filed by the Bank of America National Trust and Savings Association, administrators of Marx's estate.

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Shecharansky called 'traitor'

MOSCOW (AP). — The Soviet news agency Tass, striking out sharply at overseas protests over the arrest of leading Jewish dissident Anatoly Shecharansky, declared on Friday that Shecharansky is a traitor and will be punished "with the full severity of Soviet law."

Shecharansky, 39, was arrested on March 15 after the government newspaper "Izvestia" accused him of belonging to a dissident group that collected military and industrial secrets for the U.S. Central Intelligence Agency. He is still in prison and the date of his trial has not been set.

Tass called Shecharansky "a traitor to his motherland" and tended to confirm dissident reports that

Shecharansky faces trial on the formal charge of treason. Treason is punishable in the Soviet Union by death, or imprisonment of up to 15 years.

The Shecharansky case has become a rallying point for Soviet and foreign human rights activists, who claim Shecharansky did nothing but discuss Soviet human rights issues with Western correspondents and diplomats. He belonged to the "Helsinki" civil rights group of Moscow dissidents that has been decimated in the past year by arrests and emigration.

The U.S. State Department announced on June 2 that it was "deeply concerned"

Soviets disguise double n-blast as earthquake

UPPSALA, Sweden. — A rare double underground nuclear blast in the Soviet Union was recorded by the Seismological Institute here early yesterday morning.

The institute said the explosions took place in the Semipalatinsk area of Siberia. The first explosion measured 5.6 on the Richter scale, and the second, 7.5 seconds later, recorded 6.5.

A 7 reading is regarded as a major earthquake. A spokesman for the institute said he thought the Soviets deliberately timed the explosions in quick succession to distract the international record and make two nuclear blasts look like a quake. (AP, UPI).

Hongkong police rough up bribe-probers

HONG KONG (Reuters). — Police protests against a campaign to clean up graft degenerated into violence here on Friday with an attack on the headquarters of the British crown colony's anti-corruption commission.

Five commission officers were slightly injured when about 40 people, believed to be off-duty policemen, smashed into the offices on the sixth floor of a skyscraper building.

The attack, swiftly condemned by Police Commissioner Brian Slevin, came just after an orderly march by

2,000 policemen who alleged that commission investigations were too lengthy and caused "mental agony."

The Independent Commission Against Corruption (ICAC), set up in 1974, has uncovered corruption syndicates operating in almost every police division, with their members earning millions of dollars from prostitution, gambling and drugs.

Commission chief Jack Carter has vowed to break the syndicates in the 17,000-strong police force by the end of this year.

A wave of police protests began here after Tuesday's arrest of 34 policemen, including three British superintendents, who were charged with corruption offences. This follows the arrest last month of 88 policemen alleged to have been involved in a drug distribution syndicate.

Rank-and-file policemen, who were holding their third protest meeting on Friday, collected 14,000 signatures for "Redeem ICAC" investigation methods. It was handed in to Commissioner Slevin.

Calculated risk or reckless gamble

government's fiscal policy, and on the monetary policy of the Bank of Israel.

The main difference, from now on, is that inflationary pressures, from whatever source, will automatically be translated into the exchange rate.

The effect of the reform on the distribution of income and wealth is greater than anything Israel has experienced before. Wage earners must expect to take an immediate cut of at least 10 per cent in their real income, which will more than wipe out any gains they made this year which, for the majority, only restored the real wage level of the year before.

Welfare recipients will be given a 12 per cent increase in their allowances and the child allowances will likewise be raised. But there is little doubt that the lower income groups will again be hit hardest.

Owners of foreign currency balances have suddenly become 44 per cent richer, in terms of pounds, and one of the great unknowns in the new economic policy is to what extent they will use these inflationary capital profits to acquire real assets,

such as flats, real estate, durable consumer goods and other assets before the latter have risen in price to the full extent of the devaluation.

Equally, owners of real assets — capital goods, stocks of goods — will have gained. Not too much weight should be put on the Government's promise to collect an impost on inventories, since past attempts to do so have been notoriously unsuccessful.

If the monetary and fiscal policy is as tight as it is meant to be, the devaluation must cause a substantial fall in domestic real demand. If nothing else happened, this might be expected to cause higher unemployment.

As against this, however, there is the very significant boost given by the devaluation to import-substituting industries. Although it is not to be expected that these industries will be able to respond immediately to the new opportunities for displacing imports, especially since many of them may find immediate expansion held back by the central bank's clamp-down on credit, they are likely to hold onto their workers in the expectation of

future expansion. Exporters are given the smallest gain of all the various groups from the devaluation, and exports may not expand much initially, as a result. This is especially true if, as is to be expected, domestic cost rises will wipe out part of the gain. Nevertheless, it is likely that a certain increase in exports will also come forth and help maintain the level of employment.

Enterprises which have investments in the pipeline will find themselves in a financial straitjacket for their imported equipment will now cost them effectively 25 per cent more and other investment costs will also go up. But judging by past experience — the latest being the November 1974 devaluation — it is safe to assume that their investment loans and grants will be adjusted to the rate of devaluation. In the longer run the capital gains now made, together with a higher flow of foreign investment which may be expected — and is a very great "if" — there is a minimum of political tranquility, are likely to revive investment.

Ehrlich's great leap into the unknown may break the inflationary spiral with a final burst. He and his economic advisors may be over-optimistic with regard to the flexibility of our economic system and its capacity to adjust and take advantage of the new conditions. Evidently, the greater the rigidities have suffered in the past, the more involved in shifting manpower and resources from one use to another — the more painful will be the adjustment and the smaller the gain from this drastic surgery.

HAIFA. — The new economic policy will wipe out the discrimination which the merchant navy and ports have suffered in the past, according to the director of the Shipping Research Institute, Dr. Naftali Wydra.

The head of the Dagon Silo Company (a foreign investment), Reuven Hecht, said last night that the new policy was "a revolutionary step, a blessing or a curse depending on the reaction of the public. If it reacts with self-restraint in the interest of survival and abstains from speculation, it will be beneficial, leading to the repatriation of runaway capital and the stimulation of investments from abroad."

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MIDDLE EAST SCENE

Blumenthal reassures region on strength of dollar

Saudi Arabia (UPI). — Deputy Secretary Michael Blumenthal met with Saudi officials in an effort to reassure them of the strength of the dollar and the moderation of oil prices.

Blumenthal said the dollar was strong and the oil price moderation was temporary.

In the key oil-producing states of Kuwait, Iran and Saudi Arabia, Blumenthal has been seeking to assure leaders about the recent slippage of the dollar on world money markets, diplomatic sources said.

The Arab oil states reportedly have been anxious about the decline of the dollar both in terms of the return on their investments in the United States and on oil income, which is calculated in dollars. Blumenthal apparently succeeded in persuading Kuwait to abandon its leading role in driving for replacement of the dollar with the international monetary fund's special drawing right (SDR) as the unit for oil pricing.

The Treasury Secretary arrived in Saudi Arabia Friday night and his schedule called for him to leave for Rome today.

Despite the six-month slide of the dollar on world markets, Blumenthal was said to have assured the oil producers that the trend would be reversed by the second half of next year.

Besides urging the oil states not to move into other currencies, he also pressed the Carter Administration's plea for oil price moderation, the diplomatic sources said.

Cairo looks west in wake of trade row with Moscow

By a Special Correspondent
CAIRO (WFS). — Plans for a projected high-level delegation from Cairo to Moscow next month for trade talks could be in jeopardy if the sensitive relations between Egypt and the Soviet Union continue to deteriorate.

This is the view of observers here who believe the latest move by the Soviet Union in curtailing cotton supplies, vital for Egypt's iron and steel industry, has been made in retaliation to Egypt's decision to halt cotton shipments and suspend payment of military debts to Moscow.

According to the Cairo weekly, "Akbar al-Yom," a Russian ship with a full cargo of cotton for Egypt has been diverted at the orders of Soviet leaders, who are also reportedly pressuring Poland to follow suit in respect of its own shipments. The Soviet-built iron and steel complex at Helwan, which is reported to produce 900,000 tons annually, depends heavily on coke from Russia and Poland since local production is insufficient.

At the time of the construction of the Helwan complex, there was much confusion surrounding its cost, but in May 1968 the semi-official newspaper, "Al-Ahram," reported that it would be over one billion dollars with the Russians contributing \$180m. in equipment and machinery.

After President Nasser opened the steel rolling mill at Helwan on April 29, 1969, it was reported that 37,000 tons of technical equipment had been delivered for the project, and this

was a further indication of its scale and importance.

The suspension of Egyptian cotton exports to the Soviet Union was in itself retaliation against Moscow for ordering Czechoslovakia to stop delivering tanks to Egypt, which President Sadat said had already been paid for in hard currency, and the Soviet ban on spare parts for weapons sold to Egypt in the past.

Moscow's attitude to the suspension of Egyptian cotton exports has been that the Sadat regime is behaving ungratefully and unreasonably. A Moscow Arabic language broadcast last month emphasized the need for a two-way flow of trade, but said this depended on a positive Egyptian response.

Since 1972, Moscow's share of Cairo's foreign trade has fallen about 7 per cent to a present-day figure of around 30 per cent, with a corresponding growth of Egyptian exports to Western outlets.

In recent months, there has been an increasing Egyptian tendency to place contracts for industrial development work with non-communist countries. "Al-Ahram" recently quoted the Minister of Industry as saying that studies for the Abu Tartar phosphate project, which had for several years been the Soviet's responsibility, had been assigned to two foreign companies, one French and the other Swiss.

This item followed a similar one published earlier in "Akbar al-Yom," which reported that Egypt intended to commission elsewhere a number of projects undertaken by the Soviets.

This trading swing to the West requires hard currency, and Egypt is looking for it from two sources. Alternative markets for the cotton crop are being sought. It is understood, in Switzerland, West Germany and Japan; and already Egypt has become the largest single borrower from the World Bank in 1977 with loans and credits amounting to \$287m. out of a total of some \$1,570m. advanced by the bank.

The present position between the Soviet Union and Egypt is that the latter has settled practically all due accounts on the civil and trading front, including the Aswan Dam, opened in 1971 by the then President Podgorny, and still the largest single item of Soviet aid to Egypt. On military debts, a 10-year moratorium has been imposed by Sadat.

The overall trade balance, excluding military aid, between the two countries, in fact, stands in Egypt's favour this year to the extent of about \$140m., although this is unlikely to give rise to any improvement in Egypt's hard currency situation. Trade officials in the two countries are proposing further shipments of Soviet timber, paper and fish to correct the balance.

Whether or not the proposed Egyptian trade delegation goes to Moscow next month to confirm such a deal remains to be seen, however, especially as important talks between the Soviet Foreign Minister, Andrei Gromyko, and his Egyptian counterpart, Ismail Fahmy, originally planned for September have not taken place.

Kenya — next Arab target?

By GWYNNE DYER / Special to The Jerusalem Post

Ababa itself to bring about the collapse of the Ethiopian Marxist regime of Col. Mengistu Haile-Mariam.

Several consequences would follow quite rapidly from this. It is quite possible that a newly independent Eritrea would immediately plunge into civil war between the rival guerrilla movements there. In the nearby tiny, newly independent Republic of Djibouti on the Red Sea, a "coup" in favour of union with Somalia would be virtually inevitable. But the most important focus of conflict would shift southwards to neighbouring Kenya.

Kenya is almost surrounded by hostile states already. Tanzania to the south has closed its border with Kenya, and to the west Arab's Uganda recently threatened military action in retaliation for "malicious propaganda" in the Kenyan press. Somalia has long claimed Kenya's

northern frontier district on the same ethnic grounds that have led it to attack Ethiopia.

IF ETHIOPIA breaks up, Kenya will lose its last long friendly frontier, which would instead fall into the hands of a state allied to Somalia. It is hardly surprising that President Kenyatta has recently turned to America for aid in modernizing Kenya's long-neglected armed forces. But even Uganda's ramshackle armed forces, swollen by Soviet supplies, are greatly superior to Kenya's, not to mention the large, well-equipped Somalia army.

Kenya's fate now depends mainly on Somalia's future orientation: towards the West, or towards the Soviet Union. At the moment, the Russians are aiding both sides militarily in the Ethiopian-Somali war. Their military aid to Ethiopia is far more generous, but they are also

trying to keep a foot in the Somali door in case their gamble on a Marxist Ethiopia collapses. They have been Somalia's main military supplier for 15 years. After all, the Mogadishu government was supposed to be also Marxist — that is until Saudi Arabia stepped into that country to entrench Arab hegemony there.

The West, by contrast, are not sending arms to either side. (The U.S., Britain and France promised to send military aid to Somalia last June, in the hope that it was about to throw the Russians out, but suspended these shipments as the fighting started the following month.) Somalia is making up the shortfall in Soviet military aid at the moment with help from China, Arab states and Iran.

If, and when the war against Ethiopia ends, Somalia would retain its links with these allies (all of which are pro-Western or at least anti-Soviet). But should Somalia revert to its Soviet Alliance — after humiliating Ethiopia — the Russians might be glad to be taken back. In either case Kenya could find itself fighting for its life.

Ruling in the shadow of a giant

BY SPYROS KYPRIANOU

Gemini). — From now on, a probationary period for 44 years is seen in Cyprus as the period of the Archbishop's rule as President of Cyprus.

He is now serving the last of Makarios' term as President and if he stays in good health and avoids political blunders he could rule for several years.

There are doubts that he will have the stamina to rule for the crucial February 1980 election, which is almost certainly contested. He has had a heart attack and been laid up for periods and vertigo. Only he felt ill again.

He, who is married to a woman named Mimmi, has two sons, both serving in the army. He is a familiar figure on the long before he was called to the presidency.

He had not won much then — mainly because he was not a politician and worked in the "plant". As the world's Foreign Minister in the 1950s — a short, slightly

accompanied President on most of his trips with him on his tour of Latin America, Europe, Africa and Japan (1970), Makarios

the Scandinavian countries in 1968; and went even to Turkey (1968) and the Soviet Union (1971).

Kyprianou was there right behind Makarios at Commonwealth conferences and the summit meetings of non-aligned countries. And he travelled repeatedly to U.N. Headquarters in New York to present Greek Cypriot views at the Security Council and General Assembly debates on Cyprus.

A gentle, serene-looking personality, Kyprianou lacks the charisma and stature of the late Cypriot President.

But he is undoubtedly a born politician and although his health has been precarious recently, he can still deliver long speeches — in English and his native Greek — with a lot of passion, and without notes.

His stand towards the Turks on the Cyprus problem is even tougher than that of Makarios. In a recent speech he stressed: "The international community must move decisively so that an end is put to this tragic situation in Cyprus. The United Nations resolutions must be fully implemented. We must ensure one single and unitary Cyprus in which all its people, Greek and Turkish Cypriots alike, will live wherever they wish happily in freedom and safety."

Kyprianou believes in further "internationalisation" of the issue, and, although ideologically, he is a right-of-centre politician, he follows faithfully Makarios' line of non-

alignment in foreign policy, and gets along well with the local communists.

Kyprianou is sometimes referred to as a "professional Foreign Minister". He served in that office for 13 years, from independence in 1960 until 1972 and perhaps because his special field has been foreign policy, he has never mastered great popularity at home.

As a foreign diplomat once put it: "He is more at ease, and more brilliant, addressing the U.N. Security Council than a public rally or a meeting at a village coffee shop."

Kyprianou was not the most powerful or popular of the Greek Cypriot politicians after Makarios. But he was a compromise candidate, arousing the less hostile reaction. And he was certainly the most faithful and devout of Makarios' collaborators. So people accepted him as his legitimate heir and successor.

Spyros Kyprianou was born in Limassol, southern Cyprus, in October 1932. While still 20 and a law student at Gray's Inn, London, he became London "secretary of the Ethnarchy of Cyprus" — or Archbishop Makarios' representative — and launched an "enlightenment campaign" in Britain in favour of Cyprus' self-determination struggle.

At the same time he worked as a journalist — sending dispatches to Cypriot newspapers — and founding the "National Union of Cypriot Students in England". He became

first president. Later he carried his lobbying and active involvement in politics to the U.S. again as the roving ambassador of the Cyprus Ethnarchy.

In 1959 he came back to the island, with Archbishop Makarios (who had been exiled to the Seychelles and who had meanwhile signed the agreement in London giving Cyprus its independence from Britain).

Kyprianou was picked by Makarios as his first Foreign Minister in August 1960, soon after the Republic was proclaimed and during the next 12 years he represented Cyprus at numerous conferences and negotiations.

He held talks in Moscow in 1964, took part in many Council of Europe ministerial sessions in Strasbourg and in 1971 initiated the negotiations in Brussels for Cyprus's association with the EEC.

In May 1972 the Greek military regime, angered by Kyprianou's criticism of their dictatorial rule, demanded from Makarios that he should drop his Foreign Minister. The Archbishop bowed to the junta's demand in order to avoid a showdown, and Kyprianou resigned.

For four years he was out in the political cold, practicing law for a living. But his passion for politics never dwindled. After the coup and the Turkish invasion in the summer of 1974, he revived his interest in the island's politics and in May 1976, he announced the formation of a new political party, with the full backing



President Kyprianou

of President Makarios. The Archbishop had at the time fallen out with his then chief aide, Glafkos Clerides (who was for several years, President of the House of Representatives and chief Greek Cypriot negotiator).

In the parliamentary elections of September 1976, Kyprianou's Democratic Party, with communist support, won a majority 21 seats in the 35-member House and he was elected its new President in succession to Clerides whose party did not win a single seat.

It was from that position that Kyprianou automatically became acting President of Cyprus on Makarios' death on August 3. With the solid backing of the powerful communist party, Kyprianou then emerged as the sole candidate for the September 11 by-election to fill the remainder of Makarios' term.

Iraq, Syria — 'enemies forever'

BEIRUT (Reuters). — Iraqi President Ahmed Hassan al-Bakr was quoted yesterday as saying there would be no rapprochement between his country and Syria.

In an interview with the Paris-based magazine "Al-Watan al-Arabi," President Bakr was apparently commenting on reported Algerian and Libyan attempts to heal the breach between the two rival factions of the Baath Party in power in Syria and Iraq.

He said in the interview, quoted by the Iraq News Agency: "When the Syrian regime puts out rumours on a rapprochement with Iraq, it is trying to improve its position in [Middle East] settlement manoeuvres, extort funds from some Arab quarters and spread confusion among the Arab masses, the Palestinian resistance and the Arab people in Syria in order to overcome its current stifling crisis."

There would never be any rapprochement with the Syrian system because that would not "serve the liberation cause," the Iraqi President said.

President Bakr accused the Syrian regime of "manoeuvring and trickery." He said that over a year ago, Syria had gone back on an agreement to permit Iraqi troops to enter its territory and renounce its acceptance of UN Security Council resolution 242.

The Iraqi leader said Syria had told Libyan Premier Abdul Salam Jalloud it would withdraw from Mid-

dle East peace efforts if Iraq sent troops to the Syrian front at the Golan.

"Immediately we sent several divisions to the border and informed brother Jalloud accordingly," President Bakr added.

The forces were supposed to enter Syria and be deployed at the front, but Syria refused to allow their entry, the Iraqi leader said.

President Bakr added: "We shall not allow the Syrian regime to play this game once more at the expense of crucial causes."

When asked about the prospects of a revival of the eastern front, made up of Syria, Iraq, Jordan and the Palestinian Liberation Organization, Bakr said: "The Iraqi army is always prepared to wage the liberation battle."

But "we will not permit the Iraqi army to be used as a card in the settlement manoeuvres," he added.

Iraq is opposed to a negotiated settlement of the Middle East crisis and calls for the recovery by force of Israel-held Arab territory.

President Bakr charged that current attempts to reach a Middle East agreement "involve a serious concession of Arab rights, submission to American and Zionist strategy."

He added that the next stage would be marked by "a widening and deepening of the conflict between the Arab revolutionary movement on the one hand, and the imperialist-Zionist-reactionary alliance, on the other."

Here you see a Swissair owner signing a contract.



On the farmhouse that has belonged to the Hofmann family for six generations is a sage inscription: "He that his house by the road doth build, must expect his ears with talk to be filled."

Altikon, Switzerland, on a summer afternoon of 1977. Two men are shaking hands — not that they have just met or intend to go their ways. They are merely signing a purchase contract in the old, tried-and-true fashion.

The purchaser of Zibeline, 10 milk cows, is Ernst Hofmann, 68, a cattle-dealer to whom the old saying still applies: "His word is his bond."

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wives, physicians, teachers, in short private citizens who hold a piece of Swissair. Taken together, in fact, they own quite a sizeable chunk — almost three-quarters of the shares.

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SWISSAIR

Netanya Maccabi tops of league

By JACK LEON
Staff Sports Reporter

Netanya Maccabi overtook Haifa Hapoel at the national league, thanks to a 1-0 victory over club in Kiryat Haim. The team's success was one of the highlights on a remarkable day when the underdog side won at a single side to win at

Netanya Maccabi climbed from second place in the table — Haifa Hapoel in third spot — brilliant 4-0 triumph at Hapoel, all the goals coming in 28 minutes. The other Jerusalem club, Beersheba Hapoel, was meanwhile losing in the going down 2-1 to Beersheba in the round's third victory in home.

Netanya Maccabi's first point of the season, its first point of the season, was a draw in a contest between sides which gained promotion to the premier division in the season.

A 12,000 spectators saw Maccabi hit top form in the all, with Oded Machness scoring a vital goal in the 72nd minute, forcing the ball home from a series of continuous passing moves. The play moved rapidly from a closely-fought opening minutes. But later the guests' superiority of Jerusalem Hapoel followed.

David Schweitzer's in-midfield player Victor, the turn-around. The spearheaded a sustained offensive, which led to

Rachamim Shalom — a new signing from third league team Ra'anana — getting the first goal from a corner by Uri Maimilian in the 72nd minute.

The Jerusalemite's other goals were scored by Danny Neuman, Maimilian from the penalty spot, and Shlomo Kirat, all four coming in a hectic 28 minutes of impressive attacking football.

Beersheba Hapoel, national league champion in 1974 and '75, was somewhat lucky to come away from Jerusalem Hapoel with two points. Nahum Tashman put the hosts ahead in the 17th minute, with Victor Sarousi heading the equalizer 20 minutes later. Jerusalem had the better of the exchanges throughout the game, but in a last-minute breakaway Beersheba, newcomer Shimon Biton scored his team's winning goal, again with a header.

The fourth round also featured another 90th minute goal, when Hakoah's Moshe Yehiel saved his side a point in the 2-2 draw against guests Jaffa Maccabi. The hosts' other scorer was Zvi Farkash, while Shimon Luk and Israel Shukian netted for Jaffa.

Tel Aviv Maccabi's equalizer against Shimshon in the early game at Bloomfield was also a late effort, defender Avi Cohen scoring in the 88th minute from a perfect pass by Benny Tabak. Shimshon went ahead just before the interval through George Borba, also playing in the defence. A goal by Gideon Damti for Shimshon was ruled offside.

The second match at Bloomfield, the Tel Aviv derby between Hapoel and Beitar, produced no goals and was a dull affair. A crowd of 18,000 was on hand for the two contests.

Also mediocre was the scoreless draw in Acre, where Yehud was the



Hapoel Beersheba Defender Eliaz charges toward a teammate who seems to be illegally wearing the ball.

better of two lack-lustre teams. The hosts are the only first division club still without a victory this season.

In the second division, yesterday was notable for the rise of Rishon LeZion Hapoel from eighth to third place in the table, and the 2-1 victory of Beit Shimon Hapoel over Haifa Maccabi, which were relegated from the national league last season.

In contrast, Kfar Saba Hapoel, the other side relegated to the lower division along with Haifa Hapoel, pulled off its initial win of the season when it beat Petah Tikva Hapoel 2-1. Ashdod Hapoel's 1-0 success against Holon Hapoel was likewise its first of this campaign.

English football

Nottingham Forest lengthens its lead

LONDON (UPI). — Nottingham Forest crushed Middlesbrough 4-0 yesterday to open up a four-point gap at the top of the English first soccer division.

Fullback Viv Anderson scored twice in the first half and Ian Bowyer netted a third for a 3-0 lead at the interval, and then John McGovern found the net for the first time in four years to lead Forest's win.

Forest has 22 points to the 13 of Liverpool, which lost 3-1 at Manchester City after taking a first half lead through David Fairclough. But City came storming back to equalize in the 80th minute when Brian Kidd scored from a corner. Mike Channon latched on to a long through ball to hit the winner and Joe Royal netted home a clincher three minutes from the end.

Everton held on to third place one point back after being held to a 4-4 draw by cellar-dweller Newcastle United. Also on 17 points are Manchester City and West Bromwich, which lost 2-1 at Queen's Park Rangers and Coventry, which downed Wolverhampton 2-1 with a hat-trick from Mick Ferguson.

In other matches, Arsenal recovered to snatch a near-draw with Birmingham 1-1, Aston Villa held on for a 2-1 win against Manchester United, Chelsea edged Bristol City 1-0 and Derby and Norwich battled to a 2-2 draw.

Derek Hales scored both goals as West Ham jumped from 12th to 10th, while Leeds and Leeds failed to score a goal between them. There was prolific scoring at Everton, however, where Newcastle, struggling to get off the bottom of the first division table, led three times before having to settle for a 4-4 draw.

Mike Pejic put Everton ahead in the seventh minute but three minutes later Newcastle was level following a thundering 35-yard shot from Tommy Craig.

Then Alan Gowling put Newcastle ahead, but Bob Latchford scored to bring Everton level again. Tommy Cassidy hit the net again in the 57th minute, but again Latchford popped up 12 minutes later to make it 3-3.

In the 77th minute Cassidy broke down the right and his long cross found Gowling unmarked at the far post to give what Newcastle thought was a winning 4-3 lead. But with minutes to go Mick Lyons got Everton the vital fourth goal to force a draw.

Willie Johnston put West Bromwich ahead at QPR, but a spectacular overhead bicycle kick from Peter Eastoe equalized for the Londoners and Stan Bowles netted the winner as WBA appealed for offside.

Keith Burdett put Birmingham ahead at Arsenal, which only managed to claw a goal back five minutes from the end when fullback Pat Rice tallied.

A 30th minute header by Andy Gray and an opportunistic goal eight minutes later from Alex Cropley gave Aston Villa a 2-1 win against Manchester United, which finished strongly with Jimmy Nichol getting a consolation goal.

Trevor Ayiot, playing his first match for Chelsea, scored the lone goal which dented fellow strugglers Bristol City at Stamford Bridge.

Best: U.S. to overtake England as world's next soccer power

SHEFFIELD (AP). — George Best predicted in a radio interview yesterday that the United States will overtake England as a world soccer power.

Best, who made his name with Manchester United, has played in the U.S. the last two years with the Los Angeles Aztecs.

"America will definitely overtake England in world soccer," Best said. "Once the Americans get it into their minds that they want something, they do anything they can to make sure they become the best."

The Northern Ireland star said the present condition of soccer in Britain is "in the worst state it has been in since I started playing. There are not more than one or two world class players at the moment, which is a disgrace."

Best was talking on a local radio station before playing for Fulham against Sheffield United in the English Second Division. His remarks came as Ron Greenwood, acting manager of England, was taking his last look at likely players before choosing the squad to face Italy in a World Cup qualifying game in two weeks.

The England-Italy game no longer has any bearing on the World Cup. Italy has made sure of qualifying, and English critics have been hammering their team for repeated failures.

Best said he couldn't analyze exactly what is wrong with English soccer. "You could talk all day about it and not come up with a solution," he said.

Since England won the World Cup in 1966 the team has steadily declined. Sir Alf Ramsey, the manager who plotted the 1966 triumph, was fired in 1974. Don Revie, his successor, quit last summer after a string of disappointing results, and Greenwood was appointed on a temporary basis.

Olympic clean-up

LAKE PLACID, New York (AP). — American officials have restored \$2.8m. they were withholding from the Lake Placid Olympic organizing committee because of pollution problems at the construction site of the 1980 winter games.

David Bochnowicz, project director for the U.S. Economic Development Administration, said on Friday he was "pleased at the expediency of the settlement. The environment is being protected at the site and the construction schedule for the 1980 winter games has not been hampered."

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JERUSALEM MUNICIPALITY Local Planning and Construction Commission

NOTICE PURSUANT TO SECTION 148 OF THE PLANNING AND CONSTRUCTION LAW, 1965

Notice is hereby given, pursuant to section 148 of the Law, that Mr. Dan Mor has submitted to the Local Planning and Construction Commission, Jerusalem (hereunder the Local Commission) an application to make unscheduled use of property at block 30044, parcel 49, 6 Rehov Hayabok, Jerusalem, namely the operation of a signs and exhibitions business at the premises, this type of business not being in the schedule of permitted businesses for the district. Objections to the granting of this application can be submitted to the Local Commission, 23 Rehov Hillel, Jerusalem, within 2 weeks of the publication of this notice.

(—)
for M. Bevenisti
Deputy Chairman of the Local Commission

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NATIONAL LEAGUE FIRST DIVISION RESULTS:

Tel Aviv Hapoel	0	Tel Aviv Beitar	0
Shimshon	1	Tel Aviv Maccabi	1
Jerusalem Hapoel	1	Beersheba Hapoel	2
Acre Hapoel	0	Yehud Hapoel	0
Haifa Hapoel	0	Netanya Maccabi	1
Hadera Hapoel	0	Jerusalem Beitar	4
Hakoah	2	Jaffa Maccabi	2

Standings after 4 games

	W	D	L	Goals	Pts.
1. Netanya Maccabi	3	1	0	9-0	7
2. Jerusalem Beitar	2	2	0	6-2	6
3. Haifa Hapoel	3	0	1	5-2	6
4. Tel Aviv Maccabi	2	1	1	4-2	5
5. Yehud Hapoel	1	3	0	3-1	5
6. Hadera Hapoel	2	1	1	3-4	5
7. Beersheba Hapoel	1	2	1	5-6	4
8. Shimshon	1	2	1	2-2	4
9. Jaffa Maccabi	0	3	1	3-4	3
10. Jerusalem Hapoel	1	1	2	2-4	3
11. Tel Aviv Hapoel	1	1	2	2-6	3
12. Hakoah	0	2	2	2-6	2
13. Tel Aviv Beitar	0	2	2	2-6	2
14. Acre Hapoel	0	1	3	1-7	1

SECOND DIVISION RESULTS

Petah Tikva Maccabi	1	Ramat Amidar Maccabi	0
Ramat Gan Hapoel	1	Netanya Hapoel	0
Beit Shimon Hapoel	2	Haifa Maccabi	1
Bnei Yehuda	4	Sha'arayim Maccabi	0
Tirat Hacarmel Hapoel	1	Rishon LeZion Hapoel	0
Ashdod Hapoel	1	Holon Hapoel	0
Kfar Sava Hapoel	3	Petah Tikva Hapoel	1

Standings after five games

	W	D	L	Goals	Pts.
1. Bnei Yehuda	4	1	0	16-3	9
2. Petah Tikva Maccabi	4	1	0	5-1	9
3. Rishon LeZion Hapoel	2	2	1	6-6	6
4. Petah Tikva Hapoel	2	1	2	7-8	5
5. Haifa Maccabi	2	1	2	9-7	5
6. Holon Hapoel	1	3	1	6-4	5
7. Kfar Sava Hapoel	1	3	1	5-5	5
8. Netanya Hapoel	1	3	1	6-6	5
9. Ramat Amidar Maccabi	1	2	2	4-4	4
10. Ashdod Hapoel	1	2	2	2-4	4
11. Ramat Gan Hapoel	2	0	3	4-9	4
12. Beit Shimon Hapoel	1	2	2	2-7	4
13. Sha'arayim Maccabi	1	1	3	3-10	3
14. Tirat Hacarmel Hapoel	0	1	4	5-10	1

THIS WEEK at the TEL-AVIV MUSEUM

EXHIBITIONS

Tel Aviv Museum, Sderot Shaul Hamelech Tuesday, November 1, 8.30 p.m. Opening of the HOMAGE TO CHAGALL exhibition for invitees only.

At 7.30 p.m., the film "Honour and Appreciation to Chagall" will be screened.

Admission IL10. The Exhibition will be open to the public as from Wednesday, November 2.

THE GOLD OF PERU — Treasures of the pre-Columbian cultures in Peru (Zacks Hall). Under the patronage of the Israel Discount Bank. The Exhibition is open from 10 a.m.-10 p.m., and will close on Monday, October 31.

EVENTS DURING THE EXHIBITION Audio-visual programme on Peru and its culture (in English, Exhibition Hall), Sunday and Monday, 11 a.m. and 8 p.m. NEW EXHIBITION FROM ISRAELI ART COLLECTION OF THE MUSEUM (Meyerhoff Hall).

HELENA RUBINSTEIN PAVILION, Rehov Tarasov YOSAFAT COHEN — PHOTOGRAPHS

MARIS BISHOPS — TIME OUT

CONCERTS

Tuesday, November 1, 8.30 p.m. In the series "Guest Artists" and in cooperation with the Embassy of the Federal Republic of Germany: Michael Schepers, baritone with Emanuel Krassowsky — piano in an evening of Beethoven songs.

SHABBATARBUT

Saturday, November 5, 11 a.m.

CINEMA

"Hester Street", Joan Micklin Silver's film with Carol Kane and Steven Keats (English, with Hebrew subtitles). Sunday, Monday, Wednesday, Thursday: 4.30, 7.30 and 9.30 p.m. Tuesday: 4.30 and 9.30 p.m.

MOBILE MUSEUM

Saturday, November 5, 11 a.m. The Dream Houses of Little Tel Aviv — the Twenties. Guided tours starting from Rehov Bialik, corner Allenby. Participation fee: IL10. Prior registration at the Museum ticket office.

VISITING HOURS: Sunday, Monday, Wednesday, Thursday: 1.00 a.m.-5 p.m. (Library: 10.00 a.m.-4.00 p.m.); Tuesday: 10.00 a.m.-1 p.m.; 4-10 p.m. (Library: 10 a.m.-1 p.m.; 4-7 p.m.); Friday: 10 a.m.-2 p.m. (Library: 10 a.m.-1 p.m.); Saturday evening: 1.00 p.m.-11.00 p.m.

On Saturday, the new Museum building will be open to the public free of charge from 10.00 a.m.-1.00 p.m.

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Mon., Oct. 31 CHILDREN'S FILM CARTOON FESTIVAL No. 4 5.30 p.m. Tue., Nov. 2 ART FILM CLUB "ALL THE PRESIDENT'S MEN" (U.S.A. 1976) 6.00 and 8.30 p.m. Director: Alan J. Pakula, with Robert Redford, Dustin Hoffman, Faye Dunaway, and others.

Thur., Nov. 3 FILM FOR YOUTH "TOM THUMB" (U.S.A.) with Russ Tamblyn 5.30 p.m.

Sat., Nov. 5 SPECIAL SCREENING In honour of the 90th birthday and the visit to Jerusalem of Marc Chagall, we present the Jerusalem premiere of "HOMAGE TO CHAGALL — THE COLOURS OF LOVE" Director: Harry Rusky Tickets: Members IL10; non-members: IL15

EXHIBIT OF THE MONTH Special exhibit in honour of Chagall's 90th birthday — "The Synagogue at Safed" — painted in 1931 during the artist's visit to the country

AT THE ROCKEFELLER MUSEUM Grenades, Islamic Period, 8-14 centuries C.E. Roman mosaic pavement from Nabulus, 3-4 centuries C.E. Special exhibit: Pottery vessels, Early Canaanite Period I (3000 B.C.E.) Tel Kition, Beil Shean Valley.

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care of those Greeks bearing nanian basketball referees!

STEVE KAPLAN Sports Reporter

Hapoel's basketball team from Athens on sight still stunned from its Olympic triumph in the final of the European Cup.

was especially painful as he had beaten the Greeks in Tel Aviv by a 30-20 score. This makes a 30-20 in the two games, the Israelis cause to cry their loss. In basketball competition the art advantage is of importance, and in this it was the deciding factor.

On Hapoel's in bounds pass after the free throws the same official (Eliescu from Rumania) called walking against a Hapoel player before he had even received the ball. The Greeks were awarded the ball and eventually gained their deciding score.

While a 30 point difference between home and away appears exaggerated, it is by no means unusual in European Cup play. Four years ago in Cup of Champions play Tel Aviv Maccabi lost in Italy against Ignis Varese by 31 points, and then turned around and beat the Italians in Tel Aviv by 29 for a whopping 60 point difference. Two years ago Real Madrid beat a Swedish team by 33 in Madrid and then lost by 3 in the return game.

In last year's European Cup of Champions play Tel Aviv Maccabi achieved the unusual feat of winning two games on the road in the quarterfinals. One was against Rumania and the other against the Greek team. When asked how Tel

Aviv had done this, general manager Shmuel Maharovsky offered some sound advice to other teams to use when on the road: "When we travel to play and the local press ask us how we will do, we never, never say we hope to win. We always compliment the home team and say we hope to lose by the smallest margin possible. Only when we get on the court we fight like lions to win. That's our secret."

A criticism levelled at Tel Aviv Hapoel's coach Sam Jacobson was that after the game in Tel Aviv he made a statement to the press that his team was going to Athens to win. His team's management had already printed and began selling tickets to the next round of Cup play, which was to be against Simudine of Bologna. Now all that is left for the coach and his players is to brood over their missed opportunity and hope for success in the league.

Asian World Cup

TEHERAN, (Reuters). — A goal two minutes after half-time clinched Iran an important 1-0 home victory over Kuwait in its Asian World Cup qualifying soccer match here on Friday.

The win took Iran to the top of the five nation group, one point ahead of South Korea, with a game in hand.

Tel-Aviv Stock Exchange Ltd.

NOTICE

Trading on the Tel Aviv Stock Exchange will be suspended on Sunday and Monday, October 30-31, 1977.

All buying and selling orders given prior to Sunday, October 30, 1977 are deemed cancelled.

Arrangements regarding the resumption of trading will be announced in a further notice.

Tel Aviv, October 30, 1977.

Ehrlich's bombshell

THE GOVERNMENT'S dramatic decision to abolish practically all currency controls on current transactions and make the Israeli pound a freely convertible currency with a floating exchange rate, is without doubt the most sweeping economic reform Israel has known since its establishment. The vistas it opens are as great as the risks it involves.

After four months of hesitation and deliberation the Government, led in this area by Finance Minister Simha Ehrlich, has taken an audacious leap from various stop-gap measures to the level of grand economic strategy. If Mr. Ehrlich all these months sailed under false colours by giving no hint of his intentions, he resorted to a perfectly legitimate ruse. He must, in all fairness, be given credit for having withstood with equanimity a great deal of criticism for apparently having no economic policy.

Whether Mr. Ehrlich's grand policy departure will bring the benefits he foresees, only time will tell. That it is beset with great uncertainties and risks he himself has candidly admitted. This would have been the case even if Israel's political situation were more tranquil than it is.

If the Finance Minister's estimate, hopes and predictions are vindicated, the Israeli economy may indeed, after an interim period that may be turbulent, take off into a new economic era.

A price system which has for nearly two generations created endless distortions, fostered inefficiency and maintained a web of irrational rigidities has now been shattered. The new system that will go into effect when the banks reopen tomorrow will, if allowed to operate without covert intervention, introduce a new economic rationality.

That new system will take time to get used to. Enterprises who for long have existed under the umbrella of multiple exchange rates, subsidies and a variety of protective devices will find that they can remain viable only if they adjust — and quickly. Others will find that new horizons have opened before them. Most, if not all, will no doubt encounter initial difficulties in adjusting to a new and unfamiliar economic mechanism.

The upheaval also has a price. For the vast majority of the population that price will be heavy, and the distribution of the sacrifice will certainly be unequitable. While owners of foreign balances and of real assets have been given a bounty, including those who have illicitly accumulated dollars abroad, wage-earners will have to take a cut in their living standards which the Treasury estimates conservatively at 10 per cent up to the end of the year.

The Government hopes that its new economic policy will, after the initial burst of inflation, stabilize the economy. The expectation is that the substantial added protection given to import-substituting and export industries will revive economic growth. There is also the prospect that the new regime will yield an inflow of capital into the economy.

There is also a danger that political uncertainty could cause outflows of scarce foreign currency of unpredictable magnitude, sending the value of the Israeli pound down to where the fall could have long-lasting effects on income and employment.

Moreover, despite the tight monetary policy accompanying the reform, the vast increase in the pound value of foreign currency balances held, legally and illegally, by Israeli citizens might create a demand that, even if it is not inflationary, could stimulate economic growth into undesirable directions, for example into real estate.

Yet despite all the difficulties and sacrifices it is to be hoped that the period of adjustment will be short and that the Government's expectations will be realized.

Milton Friedman tells POST: New measures will cut inflationary pressures

By WOLF BLITZER
Jerusalem Post Correspondent

WASHINGTON. — Prof. Milton Friedman, the Nobel Prize economist, has hailed Israel's economic reform programme as "one of the greatest things that has happened to Israel since it was founded."

In a telephone interview, Friedman predicted that "there will be no negative immediate shock effects." He said that "even from day one, the effects will be positive."

The economist, who said he was "much surprised" by the Israeli decision, noted that he had been "recommending this kind of programme for many years." But he conceded that he "did not think that they (the Israeli Government) would find it politically feasible to put it into effect. I give them great credit for having the courage and the wisdom to do it."

Friedman said that he was especially pleased about the programme from the political point of view, even more than the economic impact. "It's really a step — a fundamental change in the attitude of Israel from a paternalistic, collectivist, socialist view to a view of human freedom," he said.

"It's a major step toward broadening the human freedom of the Israeli citizen," he added.

On specific issues, Friedman offered these predictions:

"On the whole, I would expect that the major effect would be to reduce inflationary pressures because it would permit the economy to be more efficient."

"The effect is going to be to open up many more opportunities for enterprise in Israel." He said that Israel now has the potential of becoming "a greater international financial centre."

"Israel will not become a dollar-oriented state now that Israeli citizens can legally and freely purchase and sell dollars. I would not predict that that will happen," he said.

"On the contrary," he continued, "I believe that at least after maybe a month or two, after people get used to the idea, the effect will be to give the Israeli people greater confidence in the pound because up until now if you held dollars, you would not turn them into pounds unless you couldn't help yourself."

Regarding inflation, Friedman maintained that the Bank of Israel will now be able to devote its attention to this domestic problem. "The effect is to give the Bank of Israel greater independence with respect to the internal monetary situation," he said.

"So long as the Bank of Israel is fixing the exchange rate, it did not have freedom. It had to create whatever quantity of money was necessary in order to meet the demand for pounds. With a free exchange rate internal monetary

If it hasn't got an owner it's suspicious!

SINCE THE CHANGE of government in May, a Kulturkampf over the future of Israel's schools has been fought with mounting fury. The first shot in the struggle was fired soon after the elections, when sources at the Hebrew University "accidentally" leaked a report suggesting that the Religious State Schools are doing a bad job.

Since then the quality of the weapons has deteriorated. One professor has written that to concentrate on "pure" Judaism would be to leave out Karl Marx, whose father (thank God) was a baptized Jew. Another expressed his horror lest questions such as "In what ways did Rabbi Kallisher symbolize the beginnings of Zionism?" should worm their way back into the bagrut (matric) exam. Drowned amid such arguments, the participants seem to have forgotten what is really at stake — the function of the school system in our society.

Asked why they end their children to school, and pay money to do so, people usually stand and gape. When they manage to answer, they say that children have to learn, that there is some knowledge that everybody must possess. But if the objective were only to pass on knowledge we would hardly lock our children away for 12 years, the so-called "external" schools prove every day that any reasonably intelligent 15-year-old can, within a few months, learn everything taught at school.

As it is, 90 per cent of those who go through school never make the slightest use of 90 per cent of what they "learned" there. By forgetting everything shortly after leaving, they show that they can manage perfectly well without it. As an instrument for passing on knowledge, school is clearly ineffective and wasteful.

BUT, PEOPLE SAY, school aims to prepare people for life, to acquaint them with habits and thought-processes that will come handy later on. However, the very word "school" argues against them: it derives from the Greek *scholē*, leisure, and was originally meant for those who in one way or another were so well off that they could concentrate on things not directly connected to the rat-race.

Even a superficial look at our curricula shows that school teaches hardly anything important about life. It does not teach how to make money, nor how to spend it. It does not teach how to avoid getting killed on the road. In a computerized world, it does not even teach one how to type. It may inculcate working

READERS' LETTERS

TIES WITH PRETORIA: PROS AND CONS

To the Editor of The Jerusalem Post

Sir, — In reply to the letter from six new immigrants (September 30) suggesting "that the Government review its position to send the Finance Minister to Pretoria," may I mention the following points:

Firstly, as a Jew, I fail to see how the strengthening of existing economic ties between our two countries is "in conflict with our Jewish heritage." The greater the two-way trade between us becomes, the more employment opportunities are created for both Israelis and black and white South Africans, who are becoming increasingly unemployed.

For each white person their trade keeps in production, it will do the same for five black people. Perhaps if one of the six has at any time been penniless, unemployed and had a family to support, he or she will understand why respectable black leaders like Chief Gatsha Buthelezi — no government puppet — has pleaded successfully with the West not to institute economic sanctions against his country.

Secondly, economic trade between two countries does not mean that they endorse each other's internal policies. The United States, while firmly opposing our government in the political arena, none the less trades with and invests enormous sums of money in this country. In fact, many African states (all dictators), such as Zambia and Mozambique, would face starvation were it not for their economic trade with us.

Therefore, it is in the best interests of both black and white South

THE WAY TO FIGHT HIJACKING

To the Editor of The Jerusalem Post

Sir, — For many years, hijacking of aircraft and airport terrorism has been occurring and only those who had personal experience of it found it necessary to think of counter-measures.

Some international airlines erroneously believed that, in giving in to terrorist blackmail — or even clandestinely paying the ransom — organisations they could buy immunity, special treatment or an assurance of non-repetition.

Warnings that this type of criminal activity would not be confined to Israel would eventually engulf other countries if not checked in time, were disregarded.

As an old-timer in aviation, I would advise the International Pilots' Association not to rely on the UN which slapped the face of the civilized world by giving standing ovations to Arafat and inviting the PLO into the I.C.A.O.

The only effective way to stamp

Jerusalem Municipality
Parking-Card Parking in Municipal Car Parks
Notice to Drivers

From Tuesday, November 1, 1977, payment for parking in the following municipal car parks will be by means of parking cards:

★ Beit Hamehandess, Rehov Hillel ★ Can Ha'atzma'ut, Rehov Hillel
★ Beit Hama'alot, Rehov Hama'alot ★ Rehov Shama'i

This will be in addition to the car park in Rehov Harav Kook, corner of Rehov Hamevrim, where this system is already in operation.

In these car parks, cars may be parked for up to 8 hours, for a charge of IL8. In this connection, 4-hour parking cards, price IL4, are available where parking cards are sold.

When parking a car in a car park, all types of parking card (1 hour, 2 hours and 4 hours) may be used, but not more than two parking cards may be put in the window.

Please conform to the instructions on the back of the parking card.

Engineering Services Administration
City Outlook Improvement Dept.
Municipal Inspection Section

The school as prison

The debate over the introduction of more Jewish Consciousness studies into our schools is an exercise in irrelevance, says

MARTIN VAN CREVELD, so long as the whole educational system remains what it is: a vast prison for Israel's children.



Education Minister Zevulun Hammer

habits, but they are the habits of a jail — with a guard standing by for 60 minutes of every hour. Here and there useful subjects (cooking or sex education) are introduced; but their very usefulness invariably condemns them to secondary importance beside the "serious" academic subjects.

But, people say, school aims at teaching students to think. If this is their purpose, our schools are a dismal failure indeed. How often were you, the reader, asked what you wanted to study? How often were you asked for your opinion of a poem? How often were you allowed to explain, in class, a subject that interested you?

In fact school, far from encouraging thought, actively forbids it. By the time its products reach me at the Hebrew University they have forgotten how to use their brains, and are indeed somewhat apologetic for possessing them at all. Among my students, it is only the best who know how to summarize a book. Asked for their opinion of that book, even this handful usually shrinks back in horror.

Hammer does not school serve to acquaint people with marvelous subjects (such as Shakespeare and Jewish Consciousness) which they would otherwise not encounter? Of course it does; but the results are mostly counterproductive. For a great many people, school is a plague which blights everything it touches. Once they are finished with a subject at school, they never want to hear of it again. Few people, if any, ever reopen their school books.

Since school rarely concerns itself with the curiosity of its pupils (as distinct from the accumulated knowledge of its teachers), the subjects most strongly emphasized at school are often the most hated. For a generation, Zionism was taught at all schools — with the result that the word was put into quotation marks. It is only recently, now that it is no longer taught at school (and with some help from the UN, always a friend in need) that the word has

started to shed connotations of hypocritical nonsense, which were long attached to it.

Education Minister Zevulun Hammer has said he intends to introduce more Jewish Consciousness into our schools — as if the countless hours already devoted to Bible and Talmud (not to mention songs about Hanukkah) are not sufficient. The guaranteed result is that, in 15 years, Judaism will enter quotation marks, and acquire the meaning that Zionism has so recently lost. Hammer and his crew are very welcome to try and teach my 7-year-old all the Judaism they want. If it is any good, so much the better; if not, it will roll off him as water does off a duck.

But, people say, the hours devoted to Jewish Consciousness will mean that so much less can be spent on mathematics, biology, and similar important subjects. That, of course, is true — but it does not matter. In the final analysis, it does not matter what is taught at school, only how. Very few of us remember even a small part of what we learned at school; most of us, however, recall

with gratitude a teacher who, at an inspired moment, made us see the beauty of a subject — even if we no longer know what that subject was.

THE TRUE PURPOSE of school — of any education at all — is not to teach people about things, but to teach them how to find out about them should they want to. To search, criticize, judge, understand — this, not the learning by rote of dead matter, is the high ideal of education. Should school try to do anything else at all, its efforts are so much wasted time.

If the goal of education is not the "material," but how to deal with it, any subject can serve the good teacher. Bible, Talmud, or Jewish Consciousness can serve just as well as arithmetic, the French Revolution or Karl Marx. It hardly makes a difference.

It would, however, be idle to expect the true purpose of education to be served by the present educational system. A brief glance at history will tell the reason why.

School as we know it today is a recent phenomenon — no more than a century old. It had two origins — the Franco-Prussian War, which convinced people (wrongly) that uneducated soldiers make bad cannon fodder; and more important, the Industrial Revolution. Previously, children worked as a matter of course from the age of two. The very concept of childhood was unknown; just look at old pictures showing children dressed up as miniature adults. There is no indication that these children were any less happy or successful than our own. Indeed, the opposite may well be true.

The Industrial Revolution caused children to be taken away from home and sent into the factories. After many cruel abuses, child-labour was forbidden. In one country after another, it then became necessary to find a way to supervise children whose parents no longer worked at home.

The answer was universal free education. On one hand, it enabled

the factories to get the man they needed. On the other, it gave them a free, to work, period when more and more were finding home life unsatisfactory, the latter became one of the cardinal functions of the system — as is being proved day by day by the clamour for day care centres.

IN EFFECT, the whole of education we have inherited is nothing but a vast prison for children — kept out of harm. This is reflected in the appearance, and even in the names. I myself attended a school known as "the barracks" (with their barracks brother visited one nickname ghetto). In Jerusalem there, school popularly known as "prison."

If keeping children in order is a system's main goal, in order matters what, if anything, is taught. This is proved daily by the changes in curricula, examination methods, even mid-education. All these come with bewildering rapidity, things that stay forever buildings (with their barracks brother visited one nickname ghetto). In Jerusalem there, school popularly known as "prison."

The point is that, since parent function of school is real one, it hardly matters what hours more or less are devoted to "Jewish Consciousness." Forced to spend a 12-year (in a prison where good does not result in one third period being waived), is wonder that many of our children the time they are finally determined never again to look? That they take to see and drugs?

The truth of the matter, everything considered, is astonishing how few open their rebellion against a which we, in the name of a affluence and parental love have imposed on them rebellion there is, however the first rumblings of the storm; and when that storm comes, Mr. Hammer nor else will be allowed to stand way. Nor, indeed, is there a reason why they should try. The author is senior lecturer of the Hebrew University.

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